OFFERING CIRCULAR

Continental Trust,

(a Cayman Islands trust)

US$200,000,000

7.375% Non-cumulative Fixed/Floating Rate Step-up Notes due 2040

supported by obligations of

BBVA Banco Continental

The US$200,000,000 7.375% Non-cumulative Fixed/Floating Rate Step-up Notes due 2040 (the "Notes") offered hereby will be issued by Continental Trustees (Cayman) Ltd. (the "Cayman Trustee") acting as trustee pursuant to a trust deed dated September 29, 2010 (the "Trust Deed") establishing the Continental Trust, a trust established under the laws of the Cayman Islands (although not a separate legal entity (the "Trust"), all references herein to the "Trust" shall in fact refer to the Cayman Trustee acting in its capacity as trustee under the Trust Deed). The sole asset of the Trust is a 100% participation interest, and certain related rights described herein, in a loan to Banco Continental, a bank organized and existing under the laws of Peru (the "Bank").

The Notes are senior secured obligations of the Trust, and will be issued under an Indenture (the "Indenture") entered into with The Bank of New York Mellon (the "Indenture Trustee"). The net proceeds obtained from the sale of the Notes will be used by the Trust to acquire, pursuant to a Participation Agreement (the "Participation Agreement") between the Trust and Credit Suisse, Cayman Branch ("CS Cayman"), a 100% participation interest (the "Participation") in a US$200,000,000 subordinated loan (the "Subordinated Loan") made by CS Cayman, as lender (the "Lender"), to the Bank (the "Borrower") pursuant to a credit agreement (the "Subordinated Loan Agreement") between the Lender and the Borrower.

The Notes are limited recourse obligations of the Trust secured by the Participation and certain other rights described herein. The Notes are denominated in U.S. Dollars and will initially bear interest at a fixed rate of 7.375% per year equivalent to the amount due and owing from the Bank under the Subordinated Loan. Fixed Interest on the Notes is initially payable on April 7 and October 7 of each year, beginning on April 7, 2011 until October 7, 2020. Thereafter, the Notes will bear interest at a floating rate equal to the London Interbank Offered Rate, or LIBOR (as defined in this offering circular), as of the second business day prior to the commencement of relevant floating interest rate period plus 680.2 basis points per year, payable quarterly, and equivalent to the amount due and owing from the Bank under the Subordinated Loan. The Notes will mature on October 7, 2040 in an amount equivalent to the principal amount then due on the Subordinated Loan.

Interest payments on the Notes are non-cumulative such that if an interest payment is cancelled, the unpaid interest will not accrue or be due and payable at any time. The Bank will be required to cancel the payment of interest on the Subordinated Loan (thus causing the payment of interest on the Notes to be cancelled) if it is not in compliance with minimum regulatory capital requirements or it does not have distributable profits from the preceding fiscal year, in each case in accordance with Peruvian banking laws and regulations. In addition, the Bank will have the option to cancel the payment of interest on the Subordinated Loan (thus causing the payment of interest on the Notes to be cancelled), in whole or in part, if it determines that such cancellation is necessary or desirable to enable it to continue during the next twelve months to be in compliance with minimum regulatory capital requirements in accordance with Peruvian banking laws and regulations.

The Subordinated Loan will qualify as the Bank's tier 1 regulatory capital in accordance with Peruvian banking laws and regulations. See "Capitalization." The Subordinated Loan will constitute an unsecured, subordinated obligation and will rank junior to the Bank's existing and future Senior Debt (as defined in this offering circular) and senior to the Bank's Junior Securities (as defined in this offering circular).

With the prior approval of the Peruvian *Superintendencia de Banca*, *Seguros y AFPs* (Superintendency of Banks, Insurance and Private Pension Fund Administrators, or the "SBS"), if then required, on October 7, 2020 or on any interest payment date thereafter, the Bank may redeem the Subordinated Loan (thus causing the Notes to be redeemed), in whole but not in part, at a redemption price equal to 100% of the aggregate principal amount of the Subordinated Loan plus accrued and unpaid interest thereon. In addition, with the prior approval of the SBS, if then required, prior to such date upon the occurrence of a Regulatory Event, Withholding Tax Event, Value Added Tax Event or Non-deductibility Tax Event (each as defined in this offering circular), the Bank may redeem the Subordinated Loan (thus causing the Notes to be redeemed), in whole but not in part, at the redemption prices described in this offering circular.

Application has been made to admit to listing the Notes on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market.

This offering circular constitutes a prospectus for the purpose of the Luxembourg Law dated July 10, 2005 on Prospectuses for Securities.

Investing in the Notes involves risks. See "Risk Factors" beginning on page 32.

Issue Price: 100%

plus accrued interest, if any, from and including October 7, 2010

Delivery of the Notes was made on October 7, 2010.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") or under the securities laws of any other jurisdiction. The Trust has not been registered and will not be registered as an investment company under the United States Investment Company Act of 1940 (the "Investment Company Act"), in reliance on the exemption set forth in Section 3(c)(7) thereof. The Notes are being offered and sold only to investors that are either (1) U.S. Persons (as defined in Regulation S under the Securities Act) who are both qualified institutional buyers ("QIBs") in reliance on Rule 144A under the Securities Act and "Qualified Purchasers" within the meaning of Section 2(a)(51)(A) of the Investment Company 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 and the exemption from the Investment Company Act provided by Section 3(c)(7) thereof. 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.

Structuring Advisor and Joint Lead Manager	*Joint Lead Manager*
Credit Suisse	**BBVA Securities**

The date of this offering circular is November 16, 2010.

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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, including in cases where reference is made to Banco Continental as the Borrower under the Subordinated Loan Agreement, all references in this offering circular to "the Bank," refer to Banco Continental and its consolidated subsidiaries. References to "Banco Continental" are references to Banco Continental only.

The 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 into whose possession this offering circular comes is 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 or any sale made hereunder shall under any circumstances imply that there has been no change in the Bank's or the Trust'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. Credit Suisse and BBVA Securities will act as initial purchasers with respect to the offering of the Notes. This offering circular is personal to you and does not constitute an offer to any other person or to the public in general to subscribe for or otherwise acquire the Notes.

Distribution of this offering circular by you to any person other than those persons retained to advise you is unauthorized, and any disclosure of any of the contents of this offering circular is prohibited.

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, the Trust, nor the initial purchasers or their agents have any responsibility therefor. See "Notice to Investors" for information concerning some of the 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 us 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 us 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 Trust 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 any Peruvian or 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 and the Trust. None of the Bank, the Trust, 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 MATTER THAT IS 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 will be available initially only in book-entry form. The Notes that are offered and sold in the United States to U.S. Persons who are both QIBs in reliance upon Rule 144A and Qualified Purchasers within the meaning of Section 2(a)(51)(A) of the Investment Company Act will be 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 expected to be 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 will be deposited with the common depositary of the Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") or Clearstream International S.A ("Clearstream"). 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 IN CONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

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 well as this offering circular, and annual audited consolidated financial statements of the Bank prepared in conformity with generally accepted practices prescribed for financial institutions subject to supervision by the SBS ("Peruvian GAAP") and of the other transaction documents (the "Transaction Documents"). 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 admit to listing the Notes on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market. 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 Notes, including the provision to it of certain information including the provision of certain financial information in connection with the listing of the Notes, so long as the Notes are listed on the Luxembourg Stock Exchange and the rules thereof so require.

ENFORCEMENT OF JUDGMENTS

The Trust is not an entity with an independent legal existence. The Cayman Trustee is a company with limited liability incorporated under the laws of the Cayman Islands. As a result, it may not be possible for investors to effect service of process upon the Cayman Trustee within the United States or to enforce against the Cayman Trustee in United States courts judgments predicated upon the civil liability provisions of the securities laws of the United States. The Cayman Trustee has been informed by Maples and Calder, its legal advisor in the Cayman Islands, that the United States and the Cayman Islands do not currently have a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters and that a final judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon United States securities laws, would, therefore, not be automatically enforceable in the Cayman Islands and there is doubt as to the enforceability in the Cayman Islands, in original actions or in actions for the enforcement of judgments of the United States courts, of liabilities predicated solely upon United States securities laws.

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 the case provided that: (a) there is in effect a treaty between the country where said foreign court sits and Peru regarding the recognition and enforcement of foreign judgments or (b) in the absence of such a treaty, 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; and

(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.

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 Trust will designate CT Corporation System as its agent upon whom process may be served in connection with any proceedings in New York. See "Risk Factors—Risks Related to the Notes—Holders of Notes may find it difficult to enforce civil liabilities against the Trust."

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 or the Trust, (2) statements of plans, objectives or goals, including those related to the operations of the Bank or the Trust, 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 and the Trust caution 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 Trust and the markets in which the Bank and the Trust operate.

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 and the Trust do 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, 2009 and 2008 (the "2009/2008 Audited Financial Statements") and its audited consolidated financial statements as of and for the years ended December 31, 2007 and 2006 (the "2007/2006 Audited Financial Statements," and together with the 2009/2008 Audited Financial Statements, the "Audited Financial Statements"), and its unaudited interim condensed consolidated financial statements as of June 30, 2010 and for the six month periods ended June 30, 2010 and June 30, 2009 (the "Interim Unaudited Financial Statements," and together with the Audited Financial Statements, the "Financial Statements"), all stated in Peruvian Nuevo Soles.

The Financial Statements have been prepared and presented in accordance with Peruvian GAAP. A significant change occurred in Peruvian GAAP in 2009 related to accounting for investments. See "Selected Statistical Information– Investment Portfolio". 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 between Peruvian GAAP and U.S. GAAP, see "Annex A—Principal Differences among Peruvian GAAP, U.S. GAAP and IFRS (as Adopted by the IASB)."

The audited consolidated financial statements as of and for the years ended December 31, 2009 and December 31, 2008 have been audited by Beltran, Gris y Asociados S.C.R.L., independent auditors and a Peruvian entity that is a member firm of Deloitte Touche Tohmatsu Limited, and the audited financial statements as of and for the year ended December 31, 2007 and December 31, 2006 have been audited by Dongo-Soria Gaveglio y Asociados, S.C., independent auditors and a Peruvian entity that is a member firm of PricewaterhouseCoopers. Unless otherwise indicated, the financial information presented herein is based upon the Financial Statements.

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 2.826 Nuevos Soles per Dollar, which is the rate published by the SBS for June 30, 2010. The exchange rate published by the SBS on September 10, 2010 was 2.79 Nuevos Soles per Dollar. 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 us 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" 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$ 25 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$ 25 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 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”), 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 and the Trust believe that the information from these sources is reliable, but cannot assure you as to the accuracy and completeness of such information are not guaranteed. Similarly, internal reports and studies, estimates and market research, while believed to be reliable and accurately extracted by us for the purposes of this offering circular, have not been independently verified.

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 us 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

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, 2010, the Bank had total assets of S/. 31,524 million (US$ 11,155 million), total net direct loans of S/. 21,754 million (US$ 7,698 million), total deposits of S/. 22,510 million (US$ 7,965 million) and shareholders' equity of S/. 2,844 million (US$ 1,006 million). Through the Bank's 259 branches, it reaches approximately 1.8 million customers and operate in almost every region of Peru. The Bank's performing loans as calculated by the SBS and deposits represent 23.2% and 21.2%, respectively, of the Peruvian banking system, according to the SBS. The banking system in Peru remains heavily concentrated among four dominant banks (of which the Bank is the second largest) that have a collective market share of approximately 84% of assets, 85% of deposits and 84% of performing loans.

The Bank is a full service financial institution providing a wide variety of banking and financial products and services to individual and corporate customers in Peru. In addition to operating through the Bank's nationwide network of 259 branches (the second largest branch network in the country), the Bank services its customers through 688 wholly-owned automated teller machines ("ATMs") and access to over 2,000 ATMs owned by a third-party provider. 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, 2010, the Bank's net income was S/. 465.3 million, compared to S/. 519.6 million for the six months ended June 30, 2009. For the full year ended 2009, the Bank's net income was S/. 927.8 million, compared to S/. 724.5 million for full year ended 2008 and S/. 592.0 million for the full year ended 2007. The consecutive 28.1% and 22.4% increases from prior years 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, 2010, total deposits represented 78.48% 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, 2010 was 13.80%, above the Peruvian regulatory limit of 9.50%.

The Bank's recent financial performance is reported on a consolidated basis and not in accordance with SBS reporting because the SBS information is not consolidated. The Bank's recent financial performance is reported on a consolidated basis, and as illustrated by the table below, since 2007 the Bank has achieved consistent growth and profitability while maintaining healthy asset quality ratios.

	As of or for the six months ended June 30,	As of and for the years ended December 31,		
	2010	2009	2008	2007
Return on average assets [(1)]	3.02%	2.92%	2.49%	2.73%
Return on average shareholders' equity [(2)]	32.47%	36.22%	34.22%	31.78%
Net interest margin [(3)]	7.71%	8.46%	7.34%	7.31%
Efficiency ratio [(4)]	31.81%	31.85%	35.32%	36.95%

	As of or for the six months ended June 30,	As of and for the years ended December 31,		
	2010	2009	2008	2007
Total non-performing loans over total gross loans..........................	1.16%	1.04%	1.17%	1.07%
Provisions for loan losses as a percentage of total gross loans...	4.15%	4.15%	3.56%	3.34%
Provisions for loan losses as a percentage of non- performing loans...	359.05%	401.19%	304.20%	311.65%

(1) Return on average assets was calculated as net income over average total assets. For June 2010, net income was annualized and return on average assets was calculated over average total assets between June 2010 and December 2009.
(2) Return on average shareholders' equity was calculated as net income over average shareholders' equity. For June 2010, net income was annualized and return on average shareholders' equity was calculated over average shareholders' equity between June 2010 and December 2009.
(3) Net interest margin was calculated as gross financial margin over average interest earnings assets (interbank funds, available-for-sale securities, loans, net).
(4) 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.

The Bank's Corporate Structure

The Bank's subsidiaries include:

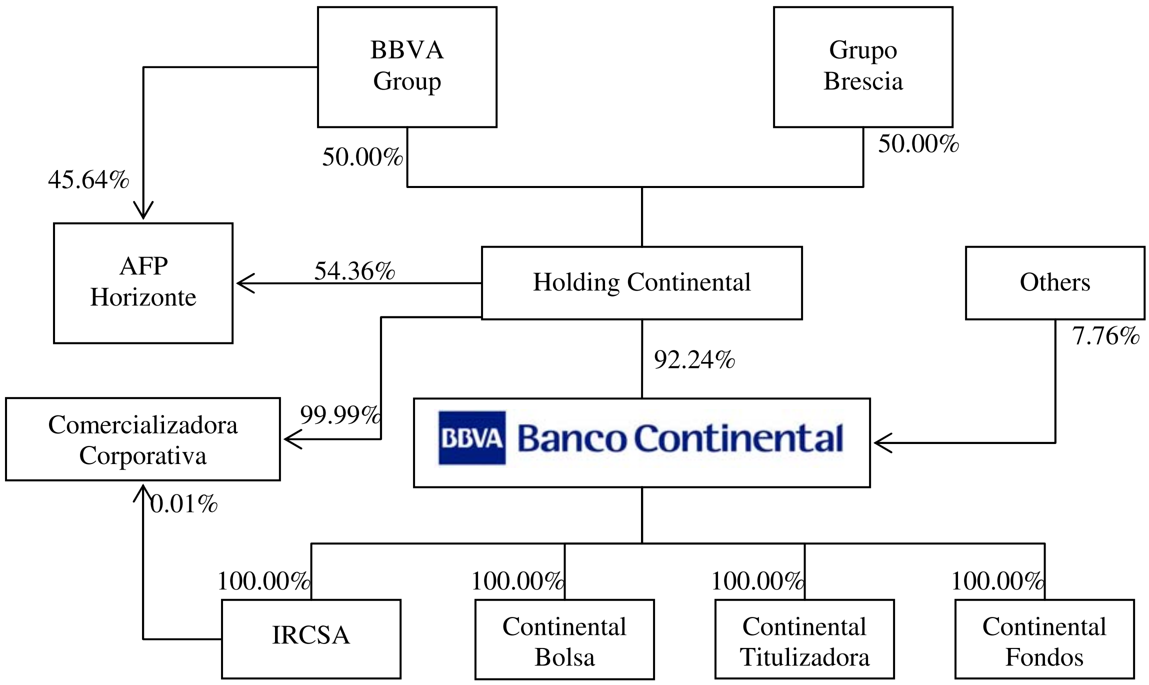
- **Continental Bolsa**, a wholly-owned subsidiary engaged in portfolio advisory and brokerage services on the *Bolsa de Valores de Lima* (the Lima Stock Exchange, or the "BVL");

- **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 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 in 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 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 Banco Bilbao Vizcaya Argentaria, S.A. ("BBVA," and together with its subsidiaries, "BBVA Group"), a leading Spanish bank, 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 since BBVA Group exercises control over the Bank's management and policies.

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, 2010, the Bank had a 20.7% market share in terms of total assets, ranking second among Peruvian banks, according to the SBS. The Bank had approximately 1,659,000 retail customers and 153,000 middle-market and corporate customers as of June 30, 2010. The following table depicts the Bank's position in various categories and business lines:

	As of June 30, 2010		As of December 31, 2009	
	Market Share (%)	Rank	Market Share (%)	Rank
Commercial loans(1)	24.4	2	23.8	2
Consumer loans(1)	14.8	3	15.1	3
Residential mortgage loans(1)	31.1	2	30.7	2
Total loans(1)	23.2	2	22.8	2
Deposits(2)	21.2	2	20.6	2
Demand	24.5	2	24.4	2
Savings	23.1	2	23.5	2
Term	18.3	2	17.3	2
Mutual funds (assets managed)	22.5	2	21.1	2
Credit card accounts	7.8	6	8.5	5
Shareholders' equity	19.0	3	19.6	3
Branches	16.1	2	15.7	2
ATM locations	17.9	3	17.5	3

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

Source: SBS and *La 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 the 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 recently 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"). In recent years, Peru has expanded consistently at healthy gross domestic product ("GDP") growth rates and the expectations for the future remain positive. During 2009, the Peruvian economy successfully weathered the global economic financial crisis, being one of the few countries in the world which experienced positive economic growth during such period. In June 2010, Peru's economy expanded 11.9% compared to the same month in 2009. According to the Central Bank, the Peruvian economy accumulated a growth rate of 8.2% in the first six months of 2010. Also, according to the Central Bank, both financial entities and economic analysts have raised their GDP growth estimates upwards to 6.8% for 2010.

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 recently 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 saving 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 and services, its customer service focus and its favorable reputation.

Sound Risk Management Policies

The Bank has historically experienced low default rates (calculated as the ratio of non-performing loans to total gross loans). As of June 30, 2010, the Bank's default rate was 1.16%, which was lower than the Peruvian banking industry's average default rate of 1.66%, 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 maintains the highest coverage ratio of the Peruvian banking industry, according to SBS data. As of June 30, 2010, the Bank's coverage ratio was 359.05%, compared to the Peruvian banking industry's average coverage ratio of 226.21%.

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 "E-mpresario," an internet portal created to facilitate interaction between the Bank's clients, whether buyers or sellers, to make their transactions easier.

A recent 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 22,117 clients between December 31, 2009 and June 30, 2010.

Strong Brand

The Bank believes the BBVA Banco Continental brand is widely recognized and positively perceived by Peruvian consumers. Recently, the Bank engaged in studies to develop its image and positioning strategy. As a result of these studies and the favorable perception of the Bank's brand, it entered into arrangements with Gastón Acurio, a well-known 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. The Bank believes that the association of its brand with these figures will benefit the Bank's consumer banking, insurance and business customers by increasing the Bank's brand recognition and consumer loyalty through its association with respected Peruvian personalities.

Cross-selling Capabilities

In addition to selling banking products to the its customers, 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 and provides a broad set of investment products in association with Continental Fondos. 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 customers 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.

Strong Shareholder Support

The Bank believes it benefits significantly from the support of Holding Continental and its shareholders BBVA Group and Grupo Brescia. BBVA Group includes Spain's second-largest financial group 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) and Chile (cement). 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 the support of Grupo Brescia due to its position as one of the most important economic groups in Peru, with experienced, highly-skilled management and a strong solvency position.

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 Banco 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 increase its profitability by leveraging its leading position in the Peruvian financial system and the cross-selling potential among its broad customer base. During 2009, the Bank employed a strategy of shifting the Bank's portfolio toward higher margin retail loans, and while growth will continue to be a priority, the Bank's main focus is on increasing revenues and net income organically by diversifying from interest income to service fees as well as by generating revenue from capital markets transactions. The Bank has implemented an aggressive marketing strategy aimed at strengthening its relationship with customers and cross-selling efforts. During 2010, the Bank's goal has been 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 achieves these goals through holistic management practices, focusing its growth strategy on the marketing and promotion of its standard banking products and services.

The Bank's goal is to take advantage of the accelerated growth of its customer base over the last 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 is to increase revenues by expanding the range of products it offers, cross-selling and focusing on sophisticated services and fee-based products. Since the Bank believes that loan growth alone is not an effective means to sustain levels of profitability, especially among the corporate and middle-market segments, the Bank seeks to promote fee-generating products in areas such as asset management, insurance brokerage, cash management, payroll, treasury and other services tailored to the needs of its 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 especially after the financial crisis, 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 because the Bank would be able to charge higher margins and commissions to retail customers (as compared to those charged to business customers).

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 Bank's extensive distribution network, from December 31, 2008 to June 30, 2010, it has managed to increase its demand deposit base by 38.8%. 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 contingent commissions, 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 find new opportunities and to adjust to market conditions and practices; (ii) increasing its cross-selling efforts; (iii) promoting the use of technological and electronic payment methods, as well as 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 declined 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, receivables collection, payroll, supplier payment, investment advisory and cash management services.

Improving Operating Efficiencies

The Bank has implemented various cost reduction measures in its programs and operating processes, generating synergies and improving operating efficiency. 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) wider regional coverage. 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 and the use of external suppliers for non-strategic activities when doing so is more cost-effective than using in-house services.

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

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 is offering 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, and (iv) "*Empresario.com*," a product that utilizes electronic banking to assist with the cash management needs of the Bank's business customers. 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.

The Bank is focused on remaining at the forefront of Peruvian product innovation and continues to develop new ways to reach customers. The Bank seeks to continue to improve the variety of consumer and corporate products to differentiate the Bank from the 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.

To enhance customer product use the Bank intends 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 continuing to cross-sell 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. The Bank intends 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.

Enhancing Customer Loyalty

The Bank views customer service as a top priority, as the Bank considers it to be one of the differentiating elements that enables the Bank to have 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 intends to continue to pursue a customer-driven business model, which is based on specialized distribution networks, in order to build and enhance customer loyalty. The Bank intends to enhance customer loyalty by continuing to utilize the specialized services and knowledge of the Bank's account officers and managers. In each of these activities, the Bank's goal is to provide its personnel with detailed credit and other information concerning its customers and their activities, as well as information concerning the Bank's products and services, which enables the Bank's personnel to better identify its customers' needs and offer them more suitable products and services.

Main Offices

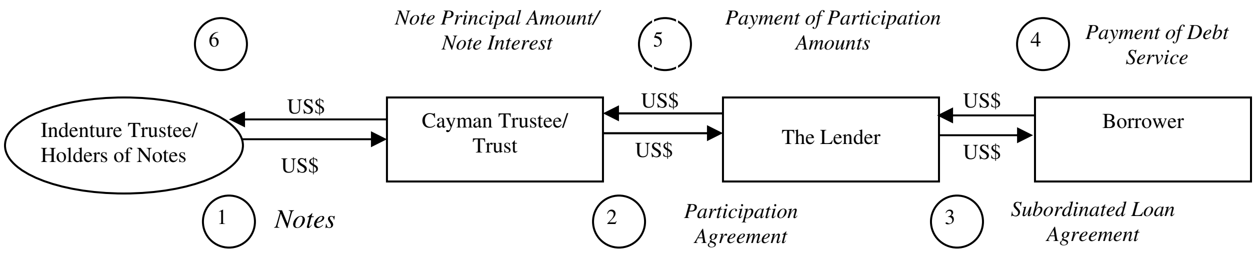
The Bank's main offices are located at Avenida República de Panamá 3055, San Isidro, Lima 27, Peru. The Bank's telephone number at that address is 51 (1)-211-1000.

THE OFFERING

The following is a brief summary of certain terms of the offering. For a more complete description of the terms of the Notes, see "Description of the Notes and the Other Transaction Documents" in this offering circular. Capitalized terms used but not defined herein have the meanings assigned to such terms therein.

TRANSACTION DIAGRAM

The following diagram illustrates generally the structure of the transaction described in this offering memorandum. The diagram is intended to provide an overview of the flow of funds to and from the Trust and investors. The diagram does not purport to be complete and is qualified in its entirety by, and should be reviewed in conjunction with, the more detailed information included elsewhere in this offering memorandum and the other documents described herein.



1. Pursuant to the Indenture with the Indenture Trustee, the Trust issued the Notes that were purchased by investors. As described herein, the Trust is not a separate legal entity under Cayman Islands law and will act through the Cayman Trustee, whose liability is limited to the assets of the Trust. All references herein to the Trust shall be to the Cayman Trustee acting as such under the Trust Deed described under "Description of the Notes and the Other Transaction Documents—The Trust" below.

2. The Trust used the proceeds of such issuance to acquire from the Lender a loan participation (the "Participation") pursuant to the Participation Agreement described under "Description of the Notes and the Other Transaction Documents—The Participation Agreement." Through the Participation Agreement, the Trust assumed the credit risk associated with the loan made under the Subordinated Loan Agreement.

3. The Lender made a loan to the Bank, as the Borrower, as provided in the Subordinated Loan Agreement. See "Description of the Notes and the Other Transaction Documents—The Subordinated Loan Agreement."

4. The Bank, as the Borrower, makes principal, interest and other payments to the Lender in accordance with the terms of the Subordinated Loan Agreement.

5. The payments payable to, or received by, the Lender are transferred to the Trust pursuant to the Participation and the Participation Agreement.

6. Pursuant to the Indenture, the Trust has pledged its assets, including its interest in the Participation, to the Indenture Trustee acting on behalf of the holders of Notes and, as a result, distributes payments payable to, or received from, the Lender under the Participation Agreement to the holders of the Notes.

THE OFFERING OF NOTES

The following is a brief summary of certain terms of the offering.

The Issuer, Trust and Bank	The Notes (as defined below) offered hereby will be issued by Continental Trustees (Cayman) Ltd. (the "Cayman Trustee") acting as such pursuant to a Trust Deed (as defined below), dated as of September 29, 2010, establishing Continental Trust (the "Trust"), a trust established under the laws of the Cayman Islands. The Trust is not a separate legal or juridical entity and the holders of the Notes only have a contractual relationship with the Cayman Trustee as a result of the Indenture, *provided* that recourse against the Cayman Trustee is limited to the Trust Assets (as defined below). All actions of the Trust shall in fact be actions of the Cayman Trustee acting as such. The holders of the Notes are not beneficiaries under the Trust and the Cayman Trustee does not owe the holders of the Notes any fiduciary duties. The sole asset of the Trust is a 100% participation interest (the "Participation"), and certain related rights described below, in a subordinated loan (the "Subordinated Loan") from Credit Suisse, Cayman Islands Branch (the "Lender") to Banco Continental (the "Bank"). The Trust's activities are limited to holding the Participation and related collateral, making payments on the Notes and taking only those actions as are contemplated under the Indenture.
The Offering	U.S.$200,000,000 aggregate principal amount of 7.375 % Non-cumulative Fixed/Floating Rate Loan Participation Notes due 2040 (the "Notes").
Issue Price of the Notes	100% of the principal amount.
Issue Date of the Notes.............................	October 7, 2010.
Indenture Trustee, Principal Paying Agent, Transfer Agent and Registrar	The Bank of New York Mellon (the "Indenture Trustee").
Security	As security for the Notes, all of the Trust Assets (as defined below) have been pledged by the Cayman Trustee to the Indenture Trustee pursuant to the Indenture (as defined below). See "Description of the Notes and the Other Transaction Documents—Security." The Cayman Trustee will also assign certain administrative rights under the Participation to the Indenture Trustee, all as more fully described in "Description of the Notes and the Other Transaction Documents". The Notes are not obligations of and are not guaranteed by the Bank.
Participation Agreement...........................	Pursuant to the Participation Agreement (as defined below), the Lender will irrevocably sell, grant and convey an undivided 100% participation interest in and to the Subordinated Loan and such other rights and remedies as are contemplated in the Subordinated Loan, to the Cayman Trustee. If at any time after the execution of the Participation Agreement, the Lender receives a distribution under the Subordinated Loan from the Bank, the Lender will accept and hold such distribution for the account and sole benefit of the Cayman Trustee and deliver such distribution free of any

	withholding, setoff or deduction of any kind, except as required by applicable law, promptly after the date on which the Lender receives such distribution. In addition, in the case of the bankruptcy of the Lender, the Cayman Trustee will have the option, subject to applicable laws and upon prior instructions from and with and the approval of the Bank, to (i) elevate its position as a participant in the Subordinated Loan to the rights of the Lender under that agreement or (ii) designate a third party financial institution to be the lender of record to the Bank so as to preserve any tax efficiencies such structure may afford the Bank.
Trust Assets	The assets of the Trust consist of the Participation and all rights related thereto, including, without limitation, all cash paid in respect thereof and rights related thereto and any accounts into which such cash or the proceeds of any of the foregoing shall be deposited pursuant to the Subordinated Loan, the Participation Agreement (as defined below) or otherwise and all other rights relating to the Subordinated Loan, the Participation Agreement and all other transaction documents entered into in connection with the foregoing (the "Trust Assets").
Use of Proceeds	The Cayman Trustee will use the proceeds of the issue of the Notes for the sole purpose of purchasing from the Lender the Participation pursuant to a participation agreement, dated as of the Issue Date (as defined below), by and between the Lender and the Cayman Trustee, (the "Participation Agreement"), whereby the Lender will grant a participation interest in all of the rights and remedies of the Lender under the subordinated loan agreement dated as of October 7, 2010 by and among the Bank, the Lender and The Bank of New York Mellon, as administrative agent (the "Subordinated Loan Agreement"), and all proceeds thereof and rights and related interests with respect thereto. Such rights and remedies will be exercisable by the Indenture Trustee, on behalf of the holders of the Notes, as a result of the pledge of the Trust Assets to the Indenture Trustee pursuant to the Indenture. See "Description of the Notes and the Other Transaction Documents—The Participation Agreement."
Expense Reimbursement Provisions	Under the Subordinated Loan Agreement, the Bank shall reimburse the Lender for certain specified expenses and indemnities incurred in connection with the making of the Subordinated Loan and the assignment of the Participation under the Participation Agreement. See "Description of the Notes and the Other Transaction Documents—The Subordinated Loan Agreement—Expenses and Additional Amounts." Under the Participation Agreement, the Cayman Trustee, the Indenture Trustee and the holders of the Notes shall be reimbursed for certain specified expenses. See "Description of the Notes and the Other Transaction Documents—The Participation Agreement—Expenses."
Limited Recourse	Payments will be made on the Notes, and the Notes will be redeemed, only to the extent the Cayman Trustee receives funds from the Trust Assets available to do so. The Notes do not represent interests in or obligations of the Lender or any of its affiliates or any person or entity other than the Cayman Trustee and subject to the limited recourse provisions described under "Description of the Notes and the Other Transaction Documents—Limitations on Remedies" and "Description of the Notes and the Other

	Transaction Documents—No Personal Liability." The Cayman Trustee will account to the holders of the Notes for amounts equivalent to those (if any) received from the Lender under the Participation.
Trust Deed	The Trust was established under a Trust Deed, dated as of September 29, which is governed by the laws of the Cayman Islands.
Indenture	The Notes will be issued under an indenture to be dated as of October 7, 2010, by and between the Cayman Trustee and the Indenture Trustee (the "Indenture").
Interest on the Notes	Payments on the Notes will be made only to the extent the Cayman Trustee has been paid pursuant to the Participation or with respect to the Trust Assets. The Cayman Trustee will, subject to "Cancellation of Interest under the Notes", pay to the holders of the Notes, on each Interest Payment Date, interest in an amount equal to the amounts of interest actually received by it under the Participation or with respect to the Trust Assets.
Interest Under Fixed/Floating Rates	Subject to "Cancellation of Interest under the Notes", the Cayman Trustee will pay interest on the principal amount of the Notes semi-annually in arrears. From (and including) October 7, 2010, or the Issue Date, up to (but excluding) October 7, 2020, or the First Optional Repayment Date, the Notes will bear interest at a fixed rate per annum equal to 7.375%, payable, subject as aforesaid, on each Fixed Interest Payment Date (as defined below). Thereafter, the Notes will bear interest at a floating rate equal to the LIBOR Rate (as defined in the Indenture) as of the second Business Day (as defined in the Indenture) prior to the commencement of each Floating Interest Period (as defined in the Indenture) plus 680.2 basis points per annum, payable quarterly in arrears, subject as aforesaid, on each Floating Interest Payment Date (as defined below). Interest on the Notes in respect of a full Fixed Interest Period shall be US$36.875 per US$1,000 principal amount of Notes. Interest on the Notes to be calculated in respect of a period which is less than a full Fixed Interest Period will be calculated on the basis of a 360-day year of twelve 30-day months. Interest on the Notes to be calculated in respect of each Floating Interest Period (as defined below) will be calculated on the basis of the actual number of days in the interest period concerned divided by 360.
Fixed Interest Payment Dates	April 7 and October 7 of each year, commencing on April 7, 2011.
Floating Interest Payment Dates	January 7, April 7, July 7, and October 7 of each year, commencing on October 7, 2020.
Cancellation of Interest Under the Notes	No payments of interest will be due and payable to the holders of the Notes on an Interest Payment Date (as defined in the Indenture) or otherwise in the event, and to the extent that, the Bank has cancelled (upon an Optional Cancellation of Loan Interest or Mandatory Cancellation of Loan Interest) any payment of interest on the Subordinated Loan in respect of any Interest Payment Date. Interest on the Notes so cancelled will be non-cumulative and will cease to be outstanding for all purposes, whether or not such payments of interest resume at any future Interest Payment

	Date.
	In the event of a suspension of an Optional Cancellation of Loan Interest or Mandatory Cancellation of Loan Interest, the Indenture Trustee will notify the holders of the Notes pursuant to the provisions of the Indenture. When an Optional Cancellation of Loan Interest or Mandatory Cancellation of Loan Interest is no longer in effect, the Indenture Trustee will notify the holders of the Notes pursuant to the provisions of the Indenture.
Redemption of the Notes On or After October 7, 2020	The Cayman Trustee must redeem the Notes on the First Optional Repayment Date and thereafter on any Floating Interest Payment Date in whole or in part, at par plus accrued and unpaid interest in respect of the current interest period to (but excluding) the repayment date and Notes Additional Amounts (as defined below), if any, in the event, and to the extent that, the Bank has exercised its option to repay the Subordinated Loan. Such option may only be exercised, and repayment of the Subordinated Loan by the Bank shall only be made, if, and to the extent required, the Bank has obtained the authorization from the *Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones* (the "SBS") to effect such repayment.
Early Redemption of the Notes	The Cayman Trustee also must redeem the Notes at any time prior to the First Optional Repayment Date, in whole but not in part (a "Special Event Repayment"), at the applicable Special Event Repayment Amount, upon the occurrence of a Regulatory Event, a Non-deductibility Tax Event, a Value Added Tax Event or a Withholding Tax Event under the Subordinated Loan and the satisfaction of certain conditions, as described in "Description of the Notes and the Other Transaction Documents—Note Redemption Events", affecting the Subordinated Loan or the Notes. Such option to redeem the Subordinated Loan may only be exercised, and repayment by the Bank shall only be made, if, and to the extent required, the Bank shall have obtained the authorization from the SBS to effect such repayment.
	"**Base Repayment Amount**" means the aggregate principal amount of the Subordinated Loan plus accrued and unpaid interest in respect of the current interest period to (but excluding) the repayment date and Subordinated Loan 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 Subordinated Loan to the First Optional Repayment Date.
	"**Comparable Treasury Price**" means, with respect to any repayment date (i) the average of the Reference Treasury Dealer Quotations for such repayment date after excluding the highest and lowest of such Reference Treasury Dealer Quotations or (ii) if fewer than four such Reference Treasury Dealer Quotations are obtained, the average of all such quotations.
	"**Independent Investment Banker**" means one of the Reference Treasury Dealers appointed by the Bank.
	"**Make-Whole Amount**" means the sum of the present values of each remaining scheduled payment of principal and interest on the Subordinated

Loan to the First Optional Repayment Date (exclusive of interest for the current interest period accrued to the redemption date) discounted to the repayment date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 0.50%, plus accrued and unpaid interest for the current interest period to but excluding the repayment date and Subordinated Loan Additional Amounts, if any, thereon.

"**Reference Treasury Dealer Quotation**" means, with respect to each Reference Treasury Dealer and any repayment date, the average, as determined by the Indenture Trustee, 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 Indenture Trustee by such Reference Treasury Dealer at 3:30 pm New York City time on the third Business Day preceding such repayment date.

"**Reference Treasury Dealer**" means Credit Suisse Securities (USA) LLC, BBVA Securities or their respective affiliates which are primary United States government securities dealers and two other primary United States government securities dealers in New York City reasonably designated by the Bank; *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"), the Bank will substitute therefor another Primary Treasury Dealer.

"**Regulatory Event**" means that, as a result of (i) any change in, or amendment to, the laws (or any regulations or rulings issued thereunder) of Peru or any political subdivision thereof or any regulatory authority therein 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, which change or amendment becomes effective on or after the Funding Date of the Subordinated Loan, the Bank will no longer be entitled to treat the full principal amount of the Subordinated Loan as Tier 1 Regulatory Capital (as defined in the Indenture) pursuant to Peruvian banking regulations.

"**Special Event Repayment Amount**" means (i) in respect of a Withholding Tax Event, an amount equal to the Base Repayment Amount and (ii) in respect of a Regulatory Event, Non-deductibility Tax Event or Value Added Tax Event, an amount equal to the higher of (a) the Base Repayment Amount and (b) the Make-Whole Amount.

"**Treasury Rate**" means, with respect to any repayment date, the rate per annum 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 repayment date.

"**Non-deductibility Tax Event**" means that, as a result of (i) any change in, or amendment to, the laws (or any regulations or rulings issued thereunder) of Peru or any political subdivision thereof or any taxing authority therein, (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, (iii) an administrative action in Peru specifically against the Bank, which means any judicial decision or any official administrative pronouncement, ruling, regulatory procedure, notice or announcement; or (iv) a threatened challenge asserted in writing by competent Peruvian authorities in connection with an audit of the Bank or its subsidiaries, in each case, which change, amendment or pronouncement becomes effective, administrative action is taken, announcement is issued, or threatened challenge is issued after the Funding Date of the Subordinated Loan, interest payments under the Subordinated Loan will cease to be allowable deductions for the purposes of income tax laws applicable to the Bank in Peru.

"VAT Additional Amounts" means any Peruvian VAT (as defined below) that non-Peruvian holders of Notes may incur in respect of payments under the Notes. The Cayman Trustee will indemnify such holders from and against any such Peruvian VAT**.**

"Value Added Tax Event" means that on the next Interest Payment Date, the Bank 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, which, in each case, are that is payable with respect to the Subordinated Loan or in connection with any participation of the Subordinated Loan or any lending or credit transaction in connection with such participation, as a result of: (i) a change in or amendment to the applicable laws or regulations of Peru; (ii) a change in, or pronouncement by competent Peruvian authorities with respect to, the official application or official interpretation of such laws or regulations; or (iii) an administrative action in Peru specifically against the Bank, which means any judicial decision or any official administrative pronouncement, ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to issue or adopt any administrative pronouncement, ruling, regulatory procedure or regulation), in each case, which change, amendment or pronouncement becomes effective or administrative action is taken on or after the Funding Date, and the Bank 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 the Bank 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%.

"**Withholding Tax Event**" means that, as a result of (i) any change in, amendment to or official pronouncement by a competent authority of the relevant jurisdiction with respect to, the laws (or any regulations or rulings issued thereunder) of Peru, the Cayman Islands or any jurisdiction from which payments are made by the Bank the Lender or any paying agent of the foregoing, including, in each case, 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, the Bank or the Lender has or will become obligated to pay Subordinated Loan Additional Amounts (as defined below) on or in respect of the Subordinated Loan or in connection with any participation of the Subordinated Loan or any funding or credit transaction in connection with such participation, which change or amendment becomes effective on or after the Funding Date of the Subordinated Loan, and which obligation the

	Bank or the Lender 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 Subordinated Loan Additional Amounts payable on the Subordinated Loan 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%. For the avoidance of doubt, the Base Repayment Amount, Make-Whole Amount and the Special Event Repayment Amount, shall in any event be the same with respect to the Notes and the Subordinated Loan.
Redemption of the Notes..........................	The Notes shall be subject to mandatory redemption, in whole or in part, as applicable, upon the occurrence (and repayment) of any mandatory or optional redemption by the Bank of the Subordinated Loan.
Ranking of the Notes................................	The Notes constitute direct, secured, limited recourse and unsubordinated obligations of the Cayman Trustee. The Notes are secured in the manner described above under "Security" and shall at all times rank *pari passu* and without preference among themselves, all as more fully described under "Description of the Notes and the Other Transaction Documents—Ranking".
Payment of Additional Amounts under the Notes..	All payments under and in respect of the Participation and Notes will be made free and clear of all taxes, duties, assessments or governmental charges under the laws of Peru, the United States, the Cayman Islands or any other jurisdiction from which payments are made by the Bank, the Lender, the Cayman Trustee or any paying agent of the foregoing, and the jurisdictions of the Lender or the Cayman Trustee except as may be required by applicable law, it being understood that the obligation to pay Peruvian withholding income tax applicable to interest payments in respect of the Subordinated Loan has been assumed by the Bank. If any taxes, duties, assessments or governmental charges are payable in any of the above jurisdictions, the sum payable under the terms of the Subordinated Loan Agreement and the Participation Agreement will include such additional amounts (the "Notes Additional Amounts") necessary to ensure that the Cayman Trustee and the holders of the Notes receive the same amount as they would have received without such withholding or deduction. See "Description of the Notes and the Other Transaction Documents—Additional Amounts."
Events of Default under the Notes...........	There are no events of default under the Notes. However, the Administrative Agent may give notice to the Bank that the Subordinated Loan is, and it shall accordingly become, immediately due and repayable (subject to the prior written approval of the SBS, unless such prior approval is no longer required on the relevant date) at par, together with accrued interest and other amounts due thereunder, if an Event of Default (as defined below in "The Subordinated Loan") shall have occurred and be continuing. Upon any such acceleration, the Administrative Agent shall notify the Cayman Trustee, who will in turn notify the Indenture Trustee, who will then give notice to the holders of the Notes. See "Description of the Notes and the Other Transaction Documents—The Subordinated Loan—Events of Default" and "Risk Factors—Risks Relating to the Subordinated Loan—If the Bank does not satisfy its obligations under the Subordinated Loan, the

	Lender's, the Cayman Trustee's and your remedies will be limited."
Listing	The Cayman Trustee has applied to admit the Notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the EuroMTF market.
Rating	It is expected that the Notes will be rated BB by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies Inc., or "S&P" and BBB- by Fitch, Inc., or "Fitch". A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency without notice.
Additional Notes	Subject to the prior approval of the SBS and upon satisfaction of the conditions set forth in the Indenture, the Cayman Trustee may issue additional notes, for the purposes of funding an increase in the amount of the Subordinated Loan which notes will be treated as the same class as the Notes for all purposes under the Indenture.
Transfer Restrictions	The Notes have not been registered under the Securities Act and, unless so registered, may not be offered or sold except (1) to investors that are both qualified institutional buyers, or QIBs (as defined in Rule 144A under the Securities Act) and Qualified Purchasers within the meaning of Section 2(a)(51)(A) of the Investment Company Act, in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A or (2) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S under the Securities Act. See "Transfer Restrictions."
ERISA Considerations	Sales of the Notes to specified types of employee benefit plans and affiliates are subject to certain conditions. See "Certain ERISA Considerations".
Governing Law	The Indenture, the Participation Agreement, the Notes and related documents will be governed by the law of New York (other than the Trust Deed which shall be governed by the laws of the Cayman Islands).
Form and Denomination	The Notes will be issued in minimum denominations of U.S.$100,000 and in integral multiples of U.S.$1,000 in excess thereof. The Notes initially sold to QIBs and Qualified Purchasers in reliance on Rule 144A will be represented by one or more global securities in fully registered form, deposited with the Indenture Trustee, as custodian for and registered in the name of a nominee of The Depository Trust Company, or DTC. Notes sold to non-U.S. persons will be evidenced by a Regulation S global security registered in the name of a nominee of DTC. Beneficial interests in such global securities will be shown on, and transfers will be made through, records maintained by DTC.
Notes Identification Numbers	144A ISIN US212141AA33 144A CUSIP 212141AA3 Reg S ISIN USG23909AA53 Reg S CUSIP G23909AA5
Risk Factors	Prospective investors should carefully consider the information under ''Risk Factors'' in conjunction with the other information contained in this Offering Circular.

THE SUBORDINATED LOAN

The following is a brief summary of certain terms of the subordinated loan.

Borrower Under the Subordinated Loan...	Banco Continental
Lender Under the Subordinated Loan.......	Credit Suisse, Cayman Islands Branch (the "Lender").
The Subordinated Loan	U.S.$200,000,000 aggregate principal amount subordinated loan maturing in 2040.
Administrative Agent	The Bank of New York Mellon
Funding Date of the Subordinated Loan...	October 7, 2010.
Use of Proceeds	The Bank will use the net proceeds of the Subordinated Loan for general corporate purposes.
Interest Under the Subordinated Loan; Fixed/Floating Rates..............................	Subject to "Optional Cancellation of Interest Payments under the Subordinated Loan" or "Mandatory Cancellation of Interest Payments under the Subordinated Loan" below, the Bank will pay interest on the principal amount of the Subordinated Loan to the Lender semi-annually in arrears. From (and including) October 7, 2010, or the Funding Date of the Subordinated Loan, up to (but excluding) October 7, 2020, or the First Optional Repayment Date (such period hereafter referred to as the "Fixed Interest Period"), the Subordinated Loan will bear interest at a fixed rate per annum equal to 7.375%, payable, subject as aforesaid, on each Fixed Interest Payment Date (as defined below). Thereafter, the Subordinated Loan will bear interest at a rate equal to the LIBOR Rate (as defined in the Subordinated Loan) as of the second Business Day (as defined in the Subordinated Loan) prior to the commencement of each Floating Interest Period (as defined below) plus 680.2 basis points per annum payable quarterly in arrears, subject as aforesaid, on each Floating Interest Payment Date (as defined below) (such period from (and including) the First Optional Repayment Date referred to as the "Floating Interest Period"). Interest on the Subordinated Loan to be calculated in respect of each Fixed Interest Period will be calculated on the basis of a 360-day year of twelve 30-day months. Interest on the Subordinated Loan to be calculated in respect of each Floating Interest Period will be calculated on the basis of the actual number of days in the interest period concerned divided by 360.
Fixed Interest Payment Dates	April 7 and October 7 of each year, commencing on April 7, 2011.
Floating Interest Payment Dates	January 7, April 7, July 7 and October 7 of each year, commencing on October 7, 2020.
Optional Cancellation of Interest Payments Under the Subordinated Loan	The Bank may, at its option, cancel any payment of interest, in whole or in part, at any time by providing notice to the Administrative Agent no later than 15 business days prior to the relevant Interest Payment Date (as defined in the Subordinated Loan), but solely in the event, and to the extent, that the Bank determines in good faith that such cancellation is

	necessary or desirable to enable it to continue during the next twelve months to be in compliance with the applicable minimum regulatory capital requirements set forth in Article 199 (and transition provisions) of the Peruvian Banking Law and in regulations issued by the SBS or any amendment or successor thereto (an "Optional Cancellation of Interest Payments"). Prior to exercise of such option to cancel interest payments, the Bank will be required to deliver to the Administrative Agent a written officers' certificate confirming that such exercise is in compliance with, and setting forth the facts providing the basis for the Bank's determination in accordance with, the preceding sentence.
Mandatory Cancellation of Interest Payments Under the Subordinated Loan	The Bank will not be permitted or required to pay interest on the Subordinated Loan on an Interest Payment Date and such interest will not accrue or be due and payable (a "Mandatory Cancellation of Interest") if: (i) the Bank's Total Capital Ratio would be less than the Minimum Capital Ratio as at such Interest Payment Date; or (ii) the Bank does not expect to have any Distributable Amounts. Any interest on the Subordinated Loan so cancelled will be non-cumulative and will cease to be outstanding for all purposes. "**Distributable Amounts**" means the distributable amounts of the Bank as defined in Article 2(11) of SBS Resolution No. 4727-2009, as amended from time to time and any successor provisions thereto, based on the Bank's audited unconsolidated financial statements as of the last day of the immediately preceding fiscal year and consisting of accumulated retained earnings that have not yet been committed to be capitalized and voluntary reserves that can be released without any prior consent from the SBS. **"Minimum Capital Ratio"** means the minimum Total Capital Ratio required to be maintained by the Bank in accordance with article 199 of the Peruvian Banking Law, as supplemented by the Twenty-Fourth Final and Complementary Provision of the Peruvian Banking Law, and as may be further supplemented from time to time. Currently, the Minimum Capital Ratio is 9.8% until July 2011, at which time it will increase to 10.0%. **"Peruvian Banking Law"** means the *Ley General del Sistema Financiero y de Seguros y Orgánica de la Superintendencia de Banca y Seguros*, approved by Peruvian Law 26702, as amended and as the same may be amended, restated, supplemented or replaced from time to time. **"Regulatory Capital"** means the regulatory capital (*patrimonio efectivo*) of the Bank calculated in accordance with articles 184 and 185 of the Peruvian Banking Law, as the same may be amended, restated, supplemented or replaced from time to time. **"Total Capital Ratio"** means the capital adequacy ratio of the Bank, which shall be calculated by dividing the Regulatory Capital by the Total Risk-Weighted Assets (as defined below), as of the most recent date such ratio is required to be calculated by the Peruvian Banking Law or by the SBS.

	“Total Risk-Weighted Assets” means, as set forth under article 199 of the Peruvian Banking Law, as supplemented by the Twenty-Fourth Final and Complementary Provision of the Peruvian Banking Law, the sum of: (i) a multiple of the Regulatory Capital allocated to cover market risks, (ii) a multiple of the Regulatory Capital allocated to cover operational risks and (iii) the total amount of credit risk-weighted assets of the Bank.
Optional Repayment of the Subordinated Loan on or After October 7, 2020	The Bank has the option to repay the Subordinated Loan on the First Optional Repayment Date and thereafter on any Floating Interest Payment Date, in whole or in part, at 100% of the principal amount of Subordinated Loan plus accrued and unpaid interest in respect of the current interest period to (but excluding) the repayment date and Subordinated Loan Additional Amounts (as defined below), if any. Such option may only be exercised, and repayment shall only be made, if, and to the extent required, the Bank has obtained the prior authorization from the SBS to effect such repayment.
Early Repayment of the Subordinated Loan	The Bank also has the option under the Subordinated Loan to repay the Subordinated Loan at any time prior to the First Optional Repayment Date, in whole but not in part (the “Special Event Repayment”), at the applicable Special Event Repayment Amount, upon the occurrence of a Regulatory Event, a Non-deductibility Tax Event, a Value Added Tax Event or a Withholding Tax Event and the satisfaction of certain conditions, as described in “Description of the Notes and Other Transaction Documents—The Subordinated Loan Agreement”, affecting the Subordinated Loan. Such option may only be exercised, and repayment shall only be made, if, and to the extent required, the Bank shall have obtained the prior authorization from the SBS to effect such repayment. “**Base Repayment Amount**” means the aggregate principal amount of the Subordinated Loan plus accrued and unpaid interest in respect of the current interest period to (but excluding) the repayment date and Subordinated Loan 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 Subordinated Loan to the First Optional Repayment Date. “**Comparable Treasury Price**” means, with respect to any repayment date (i) the average of the Reference Treasury Dealer Quotations for such repayment date after excluding the highest and lowest of such Reference Treasury Dealer Quotations or (ii) if fewer than four such Reference Treasury Dealer Quotations are obtained, the average of all such quotations. “**Independent Investment Banker**” means one of the Reference Treasury Dealers appointed by the Bank. “**Make-Whole Amount**” means the sum of the present values of each remaining scheduled payment of principal and interest on the Subordinated Loan to the First Optional Repayment Date (exclusive of interest for the current interest period accrued to the redemption date) discounted to the repayment date on a semi-annual basis (assuming a 360-day year consisting

of twelve 30-day months) at the Treasury Rate plus .50%, plus accrued and unpaid interest for the current interest period to but excluding the repayment date and Subordinated Loan Additional Amounts, if any, thereon.

"**Reference Treasury Dealer Quotation**" means, with respect to each Reference Treasury Dealer and any repayment date, the average 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 by such Reference Treasury Dealer at 3:30 pm New York City time on the third Business Day preceding such repayment date.

"**Reference Treasury Dealer**" means Credit Suisse Securities (USA) LLC, BBVA Securities or their respective affiliates which are primary United States government securities dealers and two other primary United States government securities dealers in New York City reasonably designated by the Bank; *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"), the Bank will substitute therefor another Primary Treasury Dealer.

"**Regulatory Event**" means that, as a result of (i) any change in, or amendment to, the laws (or any regulations or rulings issued thereunder) of Peru or any political subdivision thereof or any regulatory authority therein 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, which change or amendment becomes effective on or after the Funding Date of the Subordinated Loan, the Bank will no longer be entitled to treat the full principal amount of the Subordinated Loan as Tier 1 Regulatory Capital (as defined below) pursuant to Peruvian banking regulations.

"**Special Event Repayment Amount**" means (i) in respect of a Withholding Tax Event, an amount equal to the Base Repayment Amount and (ii) in respect of a Regulatory Event, a Non-deductibility Tax Event or Value Added Tax Event, an amount equal to the higher of (a) the Base Repayment Amount and (b) the Make-Whole Amount.

"**Treasury Rate**" means, with respect to any repayment date, the rate per annum 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 repayment date.

"**Non-deductibility Tax Event**" means that, as a result of (i) any change in, or amendment to, the laws (or any regulations or rulings issued thereunder) of Peru or any political subdivision thereof or any taxing authority therein 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, (iii) an administrative action in Peru specifically against the Bank, which means any judicial decision or any official administrative pronouncement, ruling, regulatory procedure, notice or announcement; or (iv) a threatened challenge asserted in writing by competent Peruvian authorities in connection with an audit of the Bank or its subsidiaries, in each case, which change, amendment or pronouncement becomes effective, administrative action is taken, announcement is issued, or threatened challenge is issued after the Funding Date of the Subordinated Loan, interest payments under the Subordinated Loan will cease to be allowable deductions for the purposes of income tax laws applicable to the Bank in Peru. The Bank will be required to deliver to the Administrative Agent notice together with a written legal opinion of recognized counsel experienced in such matters, in form satisfactory to the Administrative Agent, confirming the occurrence of a Non-deductibility Tax Event and that such right of redemption has been authorized by the SBS or that such authorization is no longer required.

"VAT Additional Amounts" means any Peruvian VAT (as defined below) that non-Peruvian holders of the Subordinated Loan may incur in respect of payments under such Subordinated Loan. The Bank will indemnify such holders from and against any such Peruvian VAT**.**

"Value Added Tax Event" means that, immediately prior to giving the required notice described below, on the next Interest Payment Date, the Bank 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 defined below), which, in each case, that are payable with respect to the Subordinated Loan or in connection with any participation of the Subordinated Loan or any lending or credit transaction in connection with such participation, as a result of: (i) a change in or amendment to the applicable laws or regulations of Peru; (ii) a change in, or pronouncement by competent Peruvian authorities with respect to, the official application or official interpretation of such laws or regulations; or (iii) an administrative action in Peru specifically against the Bank, which means any judicial decision or any official administrative pronouncement, ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to issue or adopt any administrative pronouncement, ruling, regulatory procedure or regulation), in each case, which change, amendment or pronouncement becomes effective or administrative action is taken on or after the Funding Date, and the Bank 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 the Bank 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%.

In the case of a Value Added Tax Event, the Bank will be required to deliver to the Administrative Agent notice together with a written legal opinion of recognized counsel experienced in such matters, in form satisfactory to the Administrative Agent, confirming the occurrence of a Value Added Tax Event and that such right of redemption has been authorized by the SBS or that such authorization is no longer required.

"**Withholding Tax Event**" means that, as a result of (i) any change in, amendment to or official pronouncement by a competent authority of the relevant jurisdiction with respect to, the laws (or any regulations or rulings issued thereunder) of Peru, the Cayman Islands or any jurisdiction from which payments are made by the Bank the Lender or any paying agent of the foregoing, including, in each case, 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, the Bank or the Lender has or will become obligated to pay Subordinated Loan Additional Amounts (as defined below) on or in respect of the Subordinated Loan or in connection with any participation of the Subordinated Loan or any funding or credit transaction in connection with such participation, which change or amendment becomes effective on or after the Funding Date of the Subordinated Loan, and which obligation the Bank or the Lender 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 Subordinated Loan Additional Amounts payable on the Subordinated Loan 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%.
Replacement of Subordinated Loan..........	It is the intention of the Bank that the Subordinated Loan will constitute a permanent part of its capital structure. Accordingly, the Bank intends to repay the Subordinated Loan with proceeds of a further subordinated loan or with proceeds raised through the issuance of subordinated debt, in each case, on comparable terms with the Subordinated Loan, within a period of six months prior to the repayment of the Subordinated Loan.
Limitation on Restricted Payments...........	In the event that interest is not paid in full when scheduled on any Interest Payment date due to a Mandatory Cancellation of Interest or an Optional Cancellation of Interest of Payments, the Bank will not, and will not permit any of its Subsidiaries (as defined below) to, make a Restricted Payment (as enumerated in clauses (i) through (vi) below) until the Bank has resumed interest payments on the Subordinated Loan in full, and, in the case of clauses (i) through (iv) of the next paragraph, until such payments have been made in full for consecutive interest periods totaling a period of 12 months. (i) the Bank declares, pays or distributes a dividend or makes a payment on, or in respect of, any of its Junior Securities (as defined below), other than dividends or payments in the form of Junior Securities; (ii) the Bank or any of its Subsidiaries redeems, purchases or otherwise acquires for any consideration any of the Bank's Parity Securities, other than by conversion into or in exchange for the Bank's Junior Securities or pursuant to a mandatory redemption; (iii) any of the Bank's Subsidiaries declares, pays or distributes a dividend or makes a payment on, or in respect of, any of its Capital Stock, other than (a) dividends or payments payable to the Bank or, if not a Wholly-Owned Subsidiary, on a pro rata basis to minority holders of its common shares; or, (b) by conversion into or in exchange of such Subsidiary's Capital Stock into another series or class of its Capital Stock; (iv) the Bank or any of its Subsidiaries redeems, purchases or otherwise acquires for any consideration any of the Bank's Junior Securities, other

than by conversion into or in exchange of the Bank's other Junior Securities;

(v) any of the Bank's Subsidiaries redeems, purchases or otherwise acquires for any consideration any of its Capital Stock not held by the Bank, other than by conversion into or in exchange of such Subsidiary's Capital Stock into another series or class of its Capital Stock;

(vi) the Bank declares, pays or distributes a divided or makes a payment on, or in respect of, any of its Parity Securities, other than dividends or payments in the form of its Junior Securities; or

provided, however, that with respect to clauses (i) through (vi) above, the following shall not constitute a Restricted Payment: (A) in connection with transactions effected by or for the Bank's customers or customers of the Bank's Subsidiaries or in connection with interest, trading or market making activities in respect of those securities; (B) as a result of the reclassification of the Bank's capital stock or the capital stock of any of its subsidiaries or the exchange or conversion of one class or series of capital stock for another class or series of capital stock; or (C) the purchase of fractional interests of shares of the Bank's capital stock or the stock of any of its subsidiaries pursuant to the conversion or exchange provisions of that capital stock (or the security being converted or exchanged).

"Subsidiary" means, with respect to any Person, any corporation, association or other business entity of which more than 50% of the voting power of the Capital Stock thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of such Person or a combination thereof.

"Wholly-Owned Subsidiary" means, with respect to any Person, a Subsidiary of such Person all of the Capital Stock of which (other than directors' qualifying shares) is owned by such Person or another Wholly-owned Subsidiary of such Person.

"Capital Stock" means, with respect to any Person, any and all shares, interests, participations, warrants, options, rights or other equivalents of or interests in (however designated and whether voting or non-voting) corporate stock of a corporation and any and all equivalent ownership interests in a Person (other than a corporation), in each case whether now outstanding or hereafter issued, including any preferred stock.

"Person" means any individual, corporation (including a business trust), limited liability company, partnership, joint venture, association, joint stock company, trust, unincorporated organization or other entity, or government or any agency or political subdivision thereof.

In the event of a breach of the Bank's covenant not to make a Restricted Payment, the Lender would not be entitled to accelerate the Subordinated Loan and would only be entitled to rights and remedies, if any, provided under the laws of Peru or the State of New York.

Ranking of the Subordinated Loan	The Subordinated Loan constitutes unsecured, subordinated obligations of the Bank and will not be insured or benefit from any contractual support agreement. In the event of the Bank's bankruptcy, insolvency, liquidation, dissolution, winding up or equivalent proceeding under Peruvian law, all claims under the Subordinated Loan will rank: • junior in right of payment to the payment of all of the Bank's Senior Debt; • *pari passu* in right of payment with the Bank's Parity Securities; and • senior in right of payment to the payment of the Bank's Junior Securities. In addition, upon (x) a temporary supervision (*vigilancia*) where the Bank continues to operate under the supervision of the SBS, or (y) a definitive intervention (*intervención*) where the SBS suspends the Bank's operations pending its dissolution and liquidation, and *provided* that all the Capital Stock of the Bank has been used to absorb losses, the SBS may order the Bank to use the interest and principal, in that order, of the Subordinated Loan to absorb losses . "**Senior Debt**" means (a) all labor claims; (b) all claims for deposits and other types of saving instruments issued by the Bank, in the portion not covered by the *Fondo de Seguro de Depósitos*; (c) all claims for taxes and claims by the Peruvian social security administration (*EsSalud*) related to health care benefits for which the Bank is responsible as employer; and (d) all claims for unsecured and non-privileged credits against the Bank together with the legal interests on the Bank's obligations that may accrue during the liquidation, except those whose claims rank, or are expressed to rank, *pari passu* with or junior to, the claims of the holders of Parity Securities. "**Parity Securities**" means (a) all securities and subordinated obligations of the Bank that qualify as Tier 1 Regulatory Capital other than Junior Securities; and (b) any other securities or obligations of the Bank which rank or are expressed to rank, *pari passu*, with the Banks obligations under the Subordinated Loan. "**Junior Securities**" means all classes of shares of Capital Stock, including preferred shares, issued by the Bank. **"Tier 1 Regulatory Capital"** shall mean 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.

Payment of Additional Amounts under the Subordinated Loan	All payments under the Subordinated Loan will be made free and clear of all taxes, duties, assessments or governmental charges of Peru and the jurisdiction of the Lender or except as may be required by applicable law, it being understood that the obligation to pay Peruvian withholding income tax applicable to interest payments in respect of the Subordinated Loan has been assumed by the Bank. If any taxes, duties, assessments or governmental charges are payable in any of the above jurisdictions, the sum payable by the Bank will include such additional amounts (the "Subordinated Loan Additional Amounts") and VAT Additional Amounts, if any necessary to ensure that the Lender receives the same amount as they would have received without such withholding or deduction.
Loss Absorption	Pursuant to law 26702, as amended, and regulations promulgated thereunder, the SBS may decree that the principal amount and/or interest on the Subordinated Loan be used to absorb losses of the Bank even if the Bank has not ceased to operate. Any such use of the Subordinated Loan to absorb losses would occur after the Bank's legal and voluntary reserves as well as the Capital Stock have been used to absorb losses. The SBS may take this action in the absence of any intervention or liquidation or other similar legal proceeding.
Events of Default under the Subordinated Loan	The Subordinated Loan may become immediately due and repayable (subject to the prior written approval of the SBS, unless such prior approval is no longer required on the relevant date) at par, together with accrued interest and other amounts due thereunder, if any of the following events (each an ''Event of Default'') shall have occurred and be continuing: (i) *Failure to Pay*. The Borrower fails to pay, (i) after having exercised the option provided under "Optional Repayment of the Subordinated Loan on or after October 7, 2020", any amount of principal plus accrued and unpaid interest in respect of the current interest period to (but excluding) the repayment date and Subordinated Loan Additional Amounts, if any or (ii) after having exercised the option provided under "Early Repayment of the Subordinated Loan", the applicable Special Event Repayment Amount, in each case within ten days after any such option is exercised, in the currency and in the manner specified in the Subordinated Loan; or (ii) *Insolvency or Intervention*. The Borrower (i) applies for or consents to the appointment of, or the taking of possession by, a receiver, custodian, trustee, examiner or liquidator of itself or of all or a substantial part of its property, (ii) makes a general assignment for the benefit of its creditors, (iii) files a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, suspension of payments, liquidation, dissolution, arrangement or winding-up, or composition or readjustment of debts, (iv) is subject to an intervention regime or (v) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts described above. The payment of principal under the Subordinated Loan may be accelerated only upon the occurrence of an Event of Default. There is no right of acceleration of the Subordinated Loan upon the occurrence of any other event including a default in the payment of principal or interest.

	In the event that the Bank becomes subject to a definitive intervention regime (*intervención*), the rate at which interest will accrue on the Subordinated Loan (to the extent the outstanding amounts of the Subordinated Loan have not been used to absorb losses) during the intervention and subsequent liquidation process will be limited to the legal interest rate determined by the Peruvian Central Bank from time to time.
Increase in Size of Subordinated Loan	Subject to the prior approval of the SBS, the Bank may increase the amount of the Subordinated Loan.
Governing Law..	The Subordinated Loan and related documents will be governed by the law of New York, except the subordination provisions, which will be governed by Peruvian law.

SUMMARY FINANCIAL INFORMATION

The following tables present the Bank's selected historical financial data as of December 31, 2009, 2008 and 2007, which were derived from the Audited Financial Statements, and as of the interim periods ended June 30, 2010 and June 30, 2009, 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 between Peruvian GAAP and U.S. GAAP, 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,		
	2009(1)	**2009**	**2008**	**2007**	**2010**(2)	**2010**	**2009**
	(U.S. Dollars in thousands)	*(Nuevos Soles in thousands)*			*(U.S. Dollars in thousands)*	*(Nuevos Soles in thousands)*	
Statement of Income Data:							
Financial income	952,698	2,753,297	2,521,101	1,963,545	426,270	1,204,639	1,525,827
Financial expenses	(241,379)	(697,584)	(905,480)	(735,554)	(86,964)	(245,759)	(439,529)
Gross financial margin	711,319	2,055,713	1,615,621	1,227,991	339,306	958,880	1,086,298
Provisions for loan losses, net of recoveries (3)	(112,331)	(324,636)	(245,583)	(166,919)	(50,543)	(142,835)	(157,194)
Net financial margin	598,989	1,731,077	1,370,038	1,061,072	288,763	816,045	929,104
Income from financial services, net	166,413	480,934	438,973	384,463	92,908	262,559	227,838
Administrative expenses (4)	(279,526)	(807,831)	(725,715)	(595,793)	(137,477)	(388,509)	(367,181)
Other income (expense), net	(19,021)	(54,970)	(24,805)	31,427	(12,570)	(35,523)	(32,885)
Income before workers' profit sharing and income tax	466,855	1,349,210	1,058,491	881,169	231,625	654,572	756,876
Workers' profit sharing	(18,126)	(52,384)	(43,288)	(35,834)	(8,168)	(23,084)	(29,445)
Income tax	(127,701)	(369,057)	(290,703)	(253,354)	(58,792)	(166,147)	(207,823)
Net income	321,027	927,769	724,500	591,981	164,664	465,341	519,608

(1) Data expressed in U.S. Dollars for the year ended December 31, 2009 has been translated at the rate of S/. 2.89 per US$ 1.00, based on the exchange rate reported by the SBS on December 31, 2009.
(2) Data expressed in U.S. Dollars for the period ended June 30, 2010 has been translated at the rate of S/. 2.826 per US$ 1.00, based on the exchange rate reported by the SBS on June 30, 2010.
(3) Provisions for loan losses include provisions with respect to total direct loans. Direct loans represent outstanding loans while indirect loans include guarantees and stand by letters of credit, import and export letters of credit and due from bank acceptances.
(4) Administrative Expenses includes personnel, general and depreciation and amortization expenses.

Consolidated Balance Sheets

	As of December 31,				As of June 30,		
	2009[1]	2009	2008	2007	2010[2]	2010	2009
	(U.S. Dollars in thousands)		*(Nuevos Soles in thousands)*		*(U.S. Dollars in thousands)*	*(Nuevos Soles in thousands)*	
Balance Sheet Data:							
Cash and due from banks	1,684,155	4,867,209	6,936,571	4,595,336	1,480,220	4,183,101	5,222,584
Interbank funds	16,956	49,003	27,505	120,016	-	-	24,080
Investments in securities, net	1,357,615	3,923,508	4,250,339	2,812,292	1,501,637	4,243,627	3,621,129
Total loans, net [3]	6,850,400	19,797,656	20,568,445	16,227,660	7,697,680	21,753,645	20,225,992
Investments in associates	660	1,908	1,458	6,297	615	1,738	1,458
Property, furniture and equipment, net	134,489	388,674	353,281	290,660	137,773	389,347	340,115
Other assets	356,053	1,028,992	1,306,549	679,027	337,189	952,897	1,047,366
Total assets	10,400,329	30,056,950	33,444,148	24,731,288	11,155,115	31,524,355	30,482,724
Deposits and other obligations	7,444,183	21,513,690	20,915,871	17,227,967	7,965,248	22,509,791	22,248,519
Demand deposits	2,274,660	6,573,767	5,543,523	4,561,394	2,722,603	7,694,075	5,438,125
Saving deposits	1,798,611	5,197,986	4,199,458	3,211,258	1,852,335	5,234,699	4,577,784
Time deposits	3,090,012	8,930,136	10,616,051	8,745,607	3,143,095	8,882,387	11,438,511
Deposits from financial institutions	211,228	610,450	403,989	530,935	204,077	576,723	636,013
Other obligations	69,672	201,351	152,850	178,773	43,138	121,907	158,086
Interbank funds	219,793	635,201	146,082	-	19,557	55,267	352,035
Liabilities to banks and correspondents	735,984	2,126,994	6,986,737	4,141,871	1,157,293	3,270,509	2,670,934
Securities, bonds and outstanding obligations	613,469	1,772,926	1,843,473	778,165	619,925	1,751,907	1,749,877
Other liabilities	387,310	1,119,327	1,318,268	583,123	386,759	1,092,981	1,000,914
Total liabilities	9,400,740	27,168,138	31,210,431	22,731,126	10,148,781	28,680,455	28,022,279
Total shareholders' equity	999,589	2,888,812	2,233,717	2,000,162	1,006,334	2,843,900	2,460,445
Total liabilities and shareholders' equity	10,400,329	30,056,950	33,444,148	24,731,288	11,155,115	31,524,355	30,482,724

(1) Data expressed in U.S. Dollars for the year ended December 31, 2009 has been translated at the rate of S/. 2.89 per US$ 1.00, based on the exchange rate reported by the SBS on December 31, 2009.

(2) Data expressed in U.S. Dollars for the period ended June 30, 2010 has been translated at the rate of S/. 2.826 per US$ 1.00, based on the exchange rate reported by the SBS on June 30, 2010.

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

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.

	As of and for the year ended December 31,			As of and for the period ended June 30,	
	2009	2008	2007	2010	2009
	(Nuevos Soles in thousands, except percentages and Operations)				
Profitability and efficiency:					
Return on average assets [(1)]	2.92%	2.49%	2.73%	3.02%	3.25%
Return on average shareholders' equity [(2)]	36.22%	34.22%	31.78%	32.47%	44.28%
Net interest margin [(3)]	8.46%	7.34%	7.31%	7.71%	8.92%
Efficiency ratio [(4)]	31.85%	35.32%	36.95%	31.81%	27.94%
Capitalization:					
Shareholders' equity as a percentage of total assets	9.61%	6.68%	8.09%	9.02%	8.07%
Capital stock	1,471,243	1,109,301	852,896	1,843,427	1,471,243
Tier 1 capital as a percentage of risk-weighted assets	8.99%	7.50%	8.37%	9.92%	9.15%
Regulatory capital as a percentage of risk-weighted assets	13.31%	11.91%	11.56%	13.80%	13.66%
Credit Quality data:					
Non-performing loans	217,387	252,255	182,145	266,303	236,336
Total non-performing loans over total gross loans	1.04%	1.17%	1.07%	1.16%	1.11%
Provisions for loan losses as a percentage of total gross loans [(5)]	4.15%	3.56%	3.34%	4.15%	3.80%
Provisions for loan losses as a percentage of non-performing loans[(5)]	401.19%	304.20%	311.65%	359.05%	341.66%
Operations:					
Number of branches	263	253	239	259	262
Number of employees	4,376	4,365	3,732	4,482	4,274

(1) Return on average assets was calculated as net income over average total assets. For June 2010 (June 2009), net income was annualized and return on average assets was calculated over average total assets between June 2010 (June 2009) and December 2009 (December 2008).
(2) Return on average shareholders' equity was calculated as net income over average shareholders' equity. For June 2010 (June 2009), net income was annualized and return on average shareholders' equity was calculated over average shareholders' equity between June 2010 (June 2009) and December 2009 (December 2008).
(3) Net interest margin was calculated as gross financial margin over average interest earnings assets (interbank funds, available-for-sale securities, loans, net).
(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 with respect to direct loans.

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.

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 that could negatively impact the household income of its retail customers and result in increased loan losses. For example, the recent economic slowdown in Peru has 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 of 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 the current global economic recession.

The Bank's strategy is to increase its focus in the corporate banking sector. This sector may also be negatively impacted by macroeconomic changes. As a provider of corporate financial services, the Bank's business and earnings will be affected by general business and economic conditions, and, accordingly, its business earnings could be further harmed in the event of a continuation of the current global economic recession. The current global economic recession has resulted in lower commodity prices, which caused decreased export earnings and decreased external and fiscal accounts in Peru, which resulted in slower economic growth in 2009. 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.

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., 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.

Global liquidity needs have increased recently following the banking crisis in international markets. That has reduced the Bank's ability to raise longer-term funding via international debt capital market issuances, including due to contagion into the Peruvian capital markets. The result is that funds that the Bank anticipates raising through that channel may have to be raised in the short-term money market, reducing its 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, which the Bank expects to deteriorate in light of the current global financial crisis;
- the decrease in liquidity in the international markets, which has had a negative effect on the BVL, due to the influence of such market activity on 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 is 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 us 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.

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 *Ley General de Sociedades* ("Peruvian General Corporations 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, 2010, the Bank's related party exposure equaled 3.89% of its regulatory capital. As of June 30, 2010, the Bank's loans and other contingent credits to related parties were S/. 126 million, all of which were 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 us 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. Accordingly, the information about us 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 between Peruvian GAAP, IFRS and U.S. GAAP include but are not limited to, among others, content and format of the financial statements. Consolidation principles under both Peruvian GAAP and U.S. GAAP are based upon the concept of control and are substantially similar, requiring consolidation of all controlled entities irrespective of the sector in which they operate.

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 between Peruvian GAAP and U.S. GAAP 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, 2010 and December 31, 2009, 47.6% and 49.0%, 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, 2010 and December 31, 2009, 51.5% and 52.4%, 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 high. As of June 30, 2010 and December 31, 2009, 45.8% and 50.7% respectively, of the Bank's deposits were denominated in U.S. Dollars and, according to the SBS, 51.8% and 56.1% 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, 2010, the difference between the Bank's Dollar-denominated assets and Dollar-denominated liabilities was positive, with a direct exposure to an appreciation of the Nuevo Sol. However, there can be no assurance that this asset-liability position will be maintained or that an appreciation 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 2010 amounted to US$ 35 billion. 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, 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 ("Basel II Framework") to replace the Basel Capital Accord issued in 1988. The adoption of new international banking guidelines under the Basel II Framework is expected to occur between July 2009 and July 2011, which will involve additional regulatory requirements.

Among other changes proposed to be implemented by the Basel II Framework, once defined by the SBS, would be the use, in certain cases, of external credit assessments for determining risk weightings. With regard to risk weightings to be applied to exposures to sovereign states, the Basel II Framework replaces the existing approach with a system that would use external credit assessments for determining risk weightings. Sovereign risk rated from "BBB+" to "BBB–" will be risk weighted at 50% (if "BB+" to "B–," then 100%). If adopted as recommended by the Basel Committee, the new framework could require financial institutions lending to Peruvian banks to be subject to higher capital requirements as a result of the credit risk rating of Peru, possibly resulting in a higher cost of borrowing for Peruvian banks or unavailability of funds from these sources. In addition, many banks in the Peruvian market have significant assets in foreign currency-denominated Peruvian government securities. Although Peru's proposed implementation of the Basel II Framework does not consider adhering to the Basel II Framework recommendations of risk weightings to such securities, if Peru were to implement such recommendations, then this could have a materially adverse effect on the banking system as a result of declining risk based capital ratios.

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 in Peru. Among the major changes, there is an increase in the minimum capital ratio (defined as regulatory capital over risk-weighted assets) from 9.1% to 10% on a progressive schedule. Currently, the minimum capital ratio is 9.8% until July 2011, at which time it will increase to 10%. While the Bank believes it will be in compliance with these new requirements, it cannot assure you this will be the case or that the new guidelines will not have an adverse effect on its business, financial condition and results of operations.

The Bank does not expect that the adoption of the Basel II 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 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 shut down 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

A further deterioration in the external environment as a result of the global financial crisis could have negative effects on the Peruvian economy that would adversely affect the Bank's business, financial condition and results of operations.

- *Continued deterioration of the global economy.* The continued credit crisis and related turmoil in the global financial system may have an impact on the Bank's business and its financial condition. The effect of this crisis on the Bank's customers and on the Bank cannot be predicted. The current economic situation could 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 world economic crisis and global risk aversion have been easing, Peru's own risk has been decreasing. Recently, however, doubts on the solvency of some European economies have 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.

- *More aggressive tightening of Asian stimuli policies which may lead to lower demand for commodities.* To the extent Asian nations move away from expansive monetary and fiscal policies, demand for and prices of commodities may fall. If this occurs, there may be a downward effect on prices of some of Peru´s most important commodities exports, in turn weakening the Peruvian Nuevo Sol, and adversely affecting the Peruvian economy.

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.

In 2009, the Peruvian economy expanded only 0.9% due to the international financial crisis that affected mainly the prices for exports from Peru. However, the Peruvian economy is expected to grow between 7.5% and 8% in 2010 according to the Central Bank. In the first half of 2010, GDP recorded a growth of 8.2% over the first half of 2009.

However, the main risk facing the Peruvian economy in the coming months is the possibility that the global financial crisis will not be completely resolved or will worsen. If this 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. 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 the Bank. Declining economic activity in the Peruvian economy may reduce the Bank's customers' ability to repay loans when due or to meet their other debt service requirements, which would increase the Bank's past-due loan portfolio and could materially reduce its net earnings and capital levels.

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

Metals represent more than 60% of Peru's exports. Therefore, there is a vulnerability to a strong fall in key commodities prices, especially considering that evidence shows 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 out of the 60% of metals exports and its price usually moves in an opposite direction to basic metals prices, and this should cushion the negative impact. In addition, the government is fostering free trade agreements and this has been driving and may continue driving non-traditional exports, reducing the 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 a high financial dollarization: as of June 2010, 51.5% of the total loans and 51.8% of the total deposits in the Peruvian Banking System were denominated in U.S. Dollars, according to the SBS. Although it has been reducing for the past six years, it is still high. This generates a vulnerability to a strong domestic currency depreciation because it would worsen the balance sheet of households and firms that earn in domestic currency but owe in foreign currency. Despite mitigating factors, such as the Central Bank's international reserves of U.S.$35 billion or 25% of GDP at June 30, 2010, 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 and 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 rating 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 that which 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 December 31, 2009, the Bank held an aggregate principal amount of S/. 3,857.76 million of securities issued by the Peruvian government and S/. 2,022.1 million was invested in negotiable and non-negotiable Central Bank certificates of deposit and certificated notes (compared to S/. 1,265.3 million and S/. 338.9 million, respectively, as of December 31, 2008). 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 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 and represent a segment which has not experienced a previous recession, could show higher default rates and may adversely affect the Bank's ability to fulfill its obligations under the Subordinated Loan and consequently the value of 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 the global financial crisis or a future recession will not have a negative effect on its results of operations.

The recent market volatility generated by distortions in the international financial markets may affect the Peruvian capital markets and the Peruvian banking system.

The current international liquidity environment adversely affected and increased the volatility of the performance of the BVL, because of the contagion effect from investors abroad to local investors. The general index of the BVL (IGBVL) decreased by 59.8% in 2008 and, in the first half of 2009, it increased by 85.3%. In recent years, the BVL has experienced increased participation from retail investors that react rapidly to the effects from international markets. The volatility in the international markets may adversely affect the Peruvian capital markets as well. The Peruvian banking system has not experienced any significant liquidity problems as a result of the recent international liquidity environment, primarily because the major source of funds for local banks, including the Bank, is represented by the deposit base. However, the Bank cannot assure you that future market volatility will not affect the Peruvian banking system, including the Bank, or that such volatility will not have an adverse effect on the Bank's business, financial condition or 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, inflation reached 6.5%. 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 6.70% as of December 31, 2008 to 0.25% as of December 31, 2009), with the inflation rate expected to fall within the range established by the Central Bank by the end of 2010.

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%.

The minimum legal reserve requirement for local and foreign currency deposits is 8.5%. Foreign currency and local currency deposits collected from the general public are subject to a marginal rate of 50% and 15%, respectively. Effective August 8, 2010 amounts due to central banks, foreign governments, foreign governmental agencies, multilateral lending agencies or foreign financial entities with an average term of less than two years are subject to a 65% 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 also must keep at least 3.0% of their local and foreign currency deposited in the Central Bank.

The Central Bank relies primarily upon open market operations to regulate the liquidity of the banking system and promotes the perception of the Central Bank as a lender of last resort by imposing above-market rates and commissions on discount window transactions.

Despite the positive impact that it may have on reducing cross border transaction costs and preserving purchasing power, the high level of dollarization of the Peruvian economy has hampered monetary policy by undermining the Central Bank's ability to control the money supply. The custom of using foreign currency in parallel to the Nuevo Sol began during the 1980s as inflation rates started to rise. As inflation reached triple digit rates between 1983 and 1985, foreign currency-denominated assets were increasingly used to store value. Since the 1990s, the Peruvian economy has remained highly dollarized even with the decline in inflation rates. According to the SBS, as of December 31, 2009, U.S. Dollar-denominated deposits equaled 56.1% of total deposits and Dollar-denominated credits in the banking system to the private sector was 52.4% of total credits in the Peruvian banking system. The continued demand for local currency for transactions that take place in the Peruvian economy has preserved local currency as the main channel through which the Central Bank can affect aggregate demand and thus control inflation. The Central Bank has stated that it expects that, as it continues to meet its inflation targets, confidence in the value of the local currency will grow, gradually restoring the Nuevo Sol as the principal means of savings; however, no assurance can be given in that regard.

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 Subordinated Loan and consequently the value of 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.

Political factors associated with the financial turmoil and the upcoming presidential election could affect the business climate and the soundness of the financial system.

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. In addition, the proximity of the 2010 regional and municipal elections and the 2011 general elections is motivating the early emergence of candidates for those elections. In the past, the possibility of a political outsider gaining power has been a source of political instability in Peru with negative economic consequences. Increased political turmoil or an electoral victory by a candidate who is perceived to come from outside the political party system could increase the volatility of the stock market and the exchange rate and have an adverse effect on investors' perception of the country's risk.

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.

On July 28, 2006, former president Alan García Pérez, leader of the Apra party, took office for a second time. He had previously governed the country from 1985 to 1990. In 1985, García had come to power in the middle of a severe economic crisis, with the economy in recession and the public sector staggering under a massive external debt burden. García responded with a policy agenda that involved significant state intervention in the economy, including an external debt moratorium and an attempt to nationalize the banking system, which program failed on many fronts.

Much like his predecessor Alejandro Toledo, President García has gained the support of the country's business sector by maintaining business-friendly and open market economic policies that have sustained and even fostered economic growth, while controlling the inflation rate at historically low levels. Among the most salient measures that President García has taken are: the reduction of the overall level of public spending in current expenses, a tax reform that eliminated several tax exceptions, the increase in public investment in infrastructure and the reprofiling of the nation's external debt (partial repayment and partial refinancing with lower rates and longer tenors).

In the last quarter of 2008, President García announced an emergency anti-crisis plan equivalent to 3.2% of GDP intended to deal with the effects of the global financial and economic crisis. The anti crisis plan, officially named "*Plan de Estímulo Económico Para Sostener el Crecimiento, el Empleo y la Inclusión Social*," comprises three packages of measures that were approved by the Peruvian government during the first quarter of 2009 and are to be implemented during the period 2009-2010. The measures are divided into: (a) measures related to fiscal impulse and enhancement of public spending efficiency, such as increased spending on infrastructure, promotion of public private partnerships and a temporary increase of the rebate on taxes or duty paid for imported goods, (b) financial and monetary measures, such as credit insurances and lines, contingent credit lines and financial facilities, and (c) simplification and improvement of administrative proceedings.

However, it is uncertain whether the Peruvian government will continue to pursue business-friendly and open-market economic policies or policies that stimulate economic growth and social stability. Any changes in the Peruvian economy or the Peruvian government's economic policies may adversely affect the Bank's business, financial condition and results of operations.

In the recent past, Peru experienced significant levels of domestic terrorist activity. It is possible that a resurgence of terrorism in Peru may occur in the future, which may have an adverse effect on the Peruvian economy.

In the recent 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"). The capture in 1992 of the Shining Path's founder, Abimael Guzmán, his subsequent life sentence and the jailing of most of the Shining Path's central committee members considerably weakened the Shining Path. In April 1997, Peruvian armed forces killed 14 members of the MRTA, including Néstor Cerpa Cartolini, its leader, during a hostage rescue operation in the Japanese Embassy in Lima. As a result of that defeat, the MRTA was weakened dramatically and no longer poses a significant terrorist threat.

Although the Shining Path and the MRTA are no longer as powerful as they were during the 1980s and early 1990s, their members still operate in 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 climatic phenomenon El Niño and other natural phenomena such as earthquakes and floods may cause Peruvian banks to decrease the granting of loans to segments of the Peruvian economy that are most likely to be negatively affected.

El Niño is an oceanic and atmospheric phenomenon that causes a warming of temperatures in the Pacific Ocean, resulting in heavy rains off the coast of Peru and Ecuador and various other effects in other parts of the world. The effects of El Niño, which typically occurs every two to seven years in the Peruvian summertime, include, among other things, flooding and the destruction of fish populations and agriculture, and it accordingly can have a negative impact on Peru's economy. In the past, El Niño has negatively impacted the Bank's agricultural loan portfolio, which as of December 2009 constituted 2.7% of its total loan portfolio.

In addition, Peru has experienced other natural phenomena in the past such as earthquakes and floods. Most recently, on August 15, 2007, a strong earthquake measuring 7.9 on the Richter scale hit the central coast of Peru, heavily affecting the Ica province in particular. While the Bank experienced temporary disruptions to services in the area, it was able to fully reestablish services to the affected areas within days of the earthquake. If such event were to occur again, the Bank may suffer damage to, or destruction of, properties and equipment, as well as temporary disruptions to its services, which may have an adverse affect on its business.

The perception of higher risk in other countries, especially in emerging economies, including Argentina, Bolivia, Ecuador, Honduras and Venezuela, 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 (for example, the current global market crisis). Argentina experienced a severe economic crisis that, in December 2001, led it to declare a moratorium on its payments under its public external indebtedness. In recent months, Argentina's economy has appeared to weaken again and there have been concerns expressed in the market about another default by Argentina on its debt. Ecuador recently defaulted on its debt and has announced that it is seeking to dishonor certain of its obligations that it claims may have been incurred improperly by preceding administrations. Venezuela and Bolivia have experienced political and social unrest, including labor strikes and regular, and sometimes violent, social protests. In April 2002, Venezuela's military aborted a takeover of the government of Hugo Chávez and many analysts have expressed concern that Mr. Chávez's growing control over Venezuela is leading the country to both democratic and economic failure. On December 18, 2005, Evo Morales was elected as the new President of Bolivia. Mr. Morales' government has implemented several policies, including nationalizing the hydrocarbons industry and limiting the participation of the private sector in several areas of the economy, and the country is considered at risk of following Venezuela's economic direction. On June 28, 2009, the Honduran court and legislature removed President Manuel Zelaya from office and the military forcibly sent him into exile to Costa Rica. These actions resulted in wide-spread protests in Honduras and have been condemned by certain members of the international community. While the Bolivian, Ecuadorian, Honduran and Venezuelan difficulties are so far limited in comparison to Argentina's profound economic crisis earlier this decade, in each case negative investor reaction to developments in any of these 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

Peru has had several territorial disputes with Ecuador dating back to early republican times. A significant military clash occurred in 1941, which came to an end in 1942 with the signing of the Rio de Janeiro Protocol. This settlement, sponsored by Argentina, Brazil, Chile and the United States, established territorial limits between Peru and Ecuador but failed to delineate clearly their border in a 78 kilometer section of the Andean foothills of the Cordillera del Condor. Further disputes over the border in this region led to additional clashes in 1981 and 1995. In the latest clash in 1995, thousands of soldiers from each country fought an intense but localized war in the disputed territory of the upper Cenepa valley.

A peace agreement brokered in February 1995 by the four sponsors of the Rio de Janeiro Protocol led to the cessation of hostilities and established the Military Observers Mission to Ecuador and Peru to monitor activities in the disputed area. Peru currently maintains strong political and economic relations with Ecuador. In 1998, a treaty known as the Brasilia Agreement established definitive borders between both countries. The two governments have signed further agreements on border development, navigation, security, power lines and trade. However unlikely, there can be no assurance that a resurgence of the conflict will not occur.

Peru has not been involved in any significant international conflicts since the end of its border dispute with Ecuador in 1998. Peru and Chile continue to dispute the maritime boundary allegedly delineated in the 19th century War of the Pacific. Nonetheless, the two countries enjoy a good relationship. On November 4, 2004, the Foreign Ministers of Peru and Chile signed a joint statement expressing their common intention to forge closer ties and develop bilateral relations. In connection therewith, in February 2009, the Peruvian government approved the Peru Chile Free Trade Agreement, which went into effect on March 1, 2009. Pursuant to this free trade agreement, products by both countries benefit from the reduction or elimination of tariffs and both countries agreed to pass favorable immigration regulations.

On January 16, 2008, Peru instituted proceedings before the International Court of Justice at 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. Although Peru filed a memorial at the ICJ on March 19, 2009 and Chile timely filed its counter memorial before the deadline of March 9, 2010, Peru requested that the parties be allowed to file a reply and rejoinder because of the number of points still in dispute between them after the first round of written pleadings. The ICJ has set November 9, 2010 as the deadline for the filing of a reply by Peru, and July 11, 2011 as the deadline for the filing of a rejoinder by Chile. 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 Trust has no operations of its own.

The Trust is an equitable proprietary relationship between the Cayman Trustee and the Settlor, as sole beneficiary, formed under the laws of the Cayman Islands with no operations of its own. Its principal purpose is to issue the Notes offered hereby and to use the proceeds thereof to purchase a participation in the Subordinated Loan made by the Lender to us. See "Use of Proceeds" and "The Trust." The Indenture includes covenants, events of default and other provisions that, among other things, restrict certain operations of the Trust. Failure of the Bank or its subsidiaries to make funds available to the Trust to pay amounts due on the Notes will result in non-payment of the Notes. Because the Trust will have no operations of its own, its ability to pay principal, interest and other amounts due on the Notes will thus be dependent upon its receiving payments under, or with respect to, the Subordinated Loan Agreement and the other Transaction Documents and, as a result, on the Bank's financial condition and results of operations. If the Bank's financial condition or results of operations are adversely affected, the Lender and, indirectly, the Trust and the Indenture Trustee may be unable to recover sufficient proceeds under the Subordinated Loan Agreement to repay all amounts due on or with respect to the Notes at their scheduled maturity or earlier upon any redemption prior to the scheduled maturity date. The Trust also has no obligation to provide quarterly or annual financial statements of the Bank to the Administrative Agent at the end of such fiscal periods. See "Description of the Notes and the Other Transaction Documents—Source of Available Funds," "Description of the Notes and the Other Transaction Documents—Events of Default; Acceleration" and "Description of the Notes and the Other Transaction Documents—The Subordinated Loan Agreement—Events of Default."

The Notes are limited recourse obligations.

The Notes represent secured limited recourse obligations of the Trust secured by, and repayable solely from, the Trust Assets. The Notes are not direct obligations of any of the Lender, us, the Cayman Trustee (other than in its capacity as trustee subject to the limited recourse provisions described herein) or the Indenture Trustee. Payments of Note Interest and Note Principal Amount will be made solely from payments by the Lender under the Participation Agreement. If the proceeds from any payments by the Lender paid to the Trust under the Participation Agreement and the other Transaction Documents (and indirectly from us) are not sufficient to pay all amounts due to the holders of Notes, no other assets will be available for payment of any shortfall.

Holders depend on the Cayman Trustee, the Trust and the Indenture Trustee.

The holders of the Notes are dependent upon the Trust to pay over all payments received from the Lender under the Participation Agreement to the Indenture Trustee. In addition, the Trust is obligated to turn over to the Indenture Trustee all notices it receives from the Lender under the Participation Agreement and to follow instructions of the Indenture Trustee, acting on behalf of (or at the direction of) the holders of the Notes with respect to the Participation Agreement, the Subordinated Loan Agreement and the Subordinated Loan. If the Trust receives funds or notices under the Participation Agreement but fails, for any reason, to transmit the same to the Indenture Trustee (or the Indenture Trustee fails to pay over such amounts or give such notices to the holders of the Notes), the sole remedy of the holders of the Notes will be to pursue a claim under the Indenture against the Trust and the Indenture Trustee for nonperformance of their respective obligations under the Indenture. Failure by the Trust and the Indenture Trustee to perform their respective obligations will not afford the holders of the Notes any claim against the Lender under the Participation Agreement and/or us under the Subordinated Loan Agreement or, the Subordinated Loan or give rise to any default, event of default or right to accelerate the Subordinated Loan.

The Trust may present a credit risk.

The Bank has no payment or other obligations with respect to the Notes and, except for certain expense and tax obligations under the other Transaction Documents, is only obligated to make payments on the Subordinated Loan pursuant to the Subordinated Loan Agreement under which holders of Notes have no direct rights. Holders of Notes will only receive payments in respect of principal, interest and other amounts due on the Notes if the Bank makes corresponding payments to the Lender under the Subordinated Loan Agreement, the Lender makes payments to the Trust pursuant to the Participation Agreement and the Trust makes payments to the holders of the Notes. The Trust has irrevocably directed the Lender to make all payments under the Participation Agreement directly to the Indenture Trustee. Although the Trust's irrevocable deposit instructions and obligations under the Participation Agreement and the Indenture would generally be enforceable under the laws of New York, in the event of a bankruptcy, liquidation or other insolvency of the Cayman Trustee in the Cayman Islands or elsewhere, the Indenture Trustee's ability to receive payments on the Notes may be delayed and/or otherwise adversely affected by applicable laws regarding bankruptcy, liquidations, insolvencies and similar circumstances. Such laws may include the laws of the United States or the Cayman Islands or any other jurisdiction in which the Cayman Trustee then has assets or is subject to local liabilities. Because the Trust's sole obligation in respect of the Notes is to make certain payments when, as and if payments under the Participation Agreement are received from the Lender, financial information relating to the Trust is not included in this offering circular.

Holders depend on the Bank's creditworthiness.

The Notes are structured so that funds available to the Trust are expected to be sufficient to pay amounts on the Notes as if the Notes were the Bank's senior unsecured obligations. Therefore, the Notes are subject to the same credit risks to which such of the Bank's obligations are subject, as well as certain other risks, and the Trust's ability to make timely and full payment of the amounts payable on the Notes will be dependent upon the Bank's creditworthiness. The Bank's ability to service its debt is subject to its ability to maintain sufficient operating cash flow and other factors, which may be beyond the Trust's control. See "—Risks Relating to the Bank's Business" and the other information relating to us included herein.

The Trust may cancel interest payments on the notes at any time, for any period of time, and those payments will not accumulate and will not be subsequently paid to you.

The Trust may, provided that the Bank has cancelled any payment of interest on the Subordinated Loan, cancel payment of interest on the notes on any interest payment date for any period of time. Interest payments are non-cumulative such that if the Trust cancels an interest payment (in whole or in part) as a result of the exercise of the Bank's option to do so under the Subordinated Loan Agreement, the unpaid interest will not accrue or be due and payable at any time and, accordingly, holders of the notes will not have any claim therefor, whether or not interest is paid in respect of any other period.

The Bank is required not to pay interest on the Subordinated Loan in certain cases and the related payments on the Notes will not accumulate and will not be subsequently paid to you.

In addition to the Bank's option to cancel interest payments under the Subordinated Loan Agreement, the Trust will not be permitted to pay interest on the Notes on an interest payment date in case of:

- the Bank's determination that its Total Capital Ratio would be less than the Minimum Capital Ratio at such interest payment date; or
- the Bank has no Distributable Amounts.

The capitalized terms above are as defined in "Description of the Notes and the Other Transaction Documents — Limitations on Interest— Mandatory Cancellation of Interest Payments on the Notes."

Interest payments are non-cumulative such that if an interest payment is canceled (in whole or in part) as a result of the limitation described above, the unpaid interest will not accrue or be due and payable at any time and, accordingly, holders of the notes will not have any claim therefor, whether or not interest is paid in respect of any other period. See "Description of the Notes and the Other Transaction Documents —Limitations on Interest."

The Subordinated Loan Agreement is unsecured and the Lender's rights to receive payment thereunder will be effectively subordinated to any of the Bank's existing and future unsubordinated indebtedness and any other liabilities preferred by law.

The Bank's obligations are unsecured, but are subject to restrictions on its ability to pledge any of its assets or take similar action pursuant to various covenants to which it is subject under the Subordinated Loan Agreement. To the extent the Bank is permitted to pledge its assets, the claims of the Lender under the Subordinated Loan Agreement will be effectively subordinated to claims of creditors under any of the Bank's existing and future unsubordinated debt. In the event of the Bank's insolvency, bankruptcy, liquidation, reorganization, dissolution or winding up of its business, secured creditors and creditors preferred by law will generally have the right to be paid in full out of the proceeds of the asset or assets by which that debt is secured before other creditors, including the Lender under the Subordinated Loan Agreement, receive payment through the proceeds of that asset or assets.

There are very limited Events of Default under the Loan Agreement and no Events of Default under the Notes.

While the Indenture sets forth certain standard covenants with respect to the Trust, failure by the Trust will not give rise to any event of default under the Indenture that affords the holders of the Notes any claim against the Lender and/or us under the Subordinated Loan Agreement, the Subordinated Loan or give rise to any default, event of default or right to accelerate the Subordinated Loan. Notwithstanding the foregoing, if for any reason the Indenture and/or the Trust Deed becomes unenforceable, the Lender has agreed in the Participation Agreement, upon notice of the same, to take any and all such action as is necessary to deposit the Participation interest in another trust. There can be no assurance that the Lender will be able to do so in circumstances where the Trust and related arrangements are no longer effective in accordance with their terms. In such case, the persons that are the holders of the Notes may have difficulties in collecting their pro rata interest in the Subordinated Loan Agreement and the Subordinated Loan.

Moreover, in the event of a breach of any the Bank's covenants under the Loan Agreement, such breach would not constitute an event of default under the Loan Agreement and the Lender would not be entitled to accelerate or institute bankruptcy proceedings against the Bank. In such case, the Lender's rights would only be limited to rights and remedies provided under New York and Peruvian law, as applicable, which may be very limited.

The Subordinated Loan may be used by the Bank at the discretion of the SBS to absorb losses that the Bank incurs.

The Bank is borrowing the Subordinated Loan Agreement with the intention and purpose of increasing the amount of its tier 1 regulatory capital. In order to be eligible for treatment as tier 1 regulatory capital, the Subordinated Loan must satisfy a number of conditions, including the availability of the principal and interests of the Subordinated Loan to absorb losses that the Bank may incur. Upon a temporary supervision regime (*régimen de vigilancia*) or a definitive intervention regime (*régimen de intervención*) of the Bank imposed by the SBS, the amount outstanding under the Subordinated Loan may be used to absorb losses, provided that current and retained earnings, donations and premiums on issuance of shares, facultative and mandatory reserves and capital stock have been exhausted. In the event that the Subordinated Loan is used for this purpose, the Lender would lose all rights to the amounts absorbed. See "Description of the Notes and the Other Transaction Documents—The Subordinated Loan Agreement—Loss Absorption."

The Subordinated Loan may be prepaid prior to maturity.

Under the terms of the Subordinated Loan Agreement, the Bank has the option of prepaying the Subordinated Loan in whole or in part under various circumstances, including, in the case of certain prepayments, together with a specified premium. A prepayment may give rise to a mandatory redemption of the Notes; in other cases it will give rise to a mechanism whereby the holders of the Notes will be offered the option of requiring the redemption of all or a portion of Notes held by them at such time. Such redemptions may be made on terms that may differ depending on the underlying reason or cause for such redemption under the Subordinated Loan Agreement and Subordinated Loan. See "Description of the Notes and the Other Transaction Documents—Redemption Events."

Payments on the Notes will be made through the Lender.

The ability of the Trust to make payments on the Notes is dependent in part on the performance by the Lender of its obligations under the Subordinated Loan Agreement and the Participation Agreement. Payments made by the Lender pursuant to the Participation Agreement will be the Trust's sole source of funds for payments made by the Trust pursuant to the Indenture. In addition, payments made by the Lender pursuant to the Participation Agreement will be applied by the Trust to pay Note Interest. If the Lender defaults on its obligations under the Participation Agreement, the Trust's sole source of funds for payments on the Notes will be any recovery on claims against the Lender. Accordingly, if the Lender defaults on its obligations under the Participation Agreement, the Trust's ability to make payments on the Notes will be substantially reduced. In addition, such a default by the Lender will not confer on the holders of the Notes any rights against us.

Assignment of Subordinated Loan and Possible Redemption of Notes.

CS Cayman will be the lender with respect to the Subordinated Loan on the date the loan is disbursed. However, CS Cayman, acting as Lender, may assign its interest in the Subordinated Loan Agreement and the Subordinated Loan in certain circumstances where CS Cayman, as Lender, determines that it no longer desires to act as lender with respect to the Subordinated Loan and complies with the requirements set forth in "Description of the Notes and the Other Transaction Documents – The Subordinated Loan Agreement – Assignments and Participations." Upon any such assignment, CS Cayman will have no further responsibility to the Trust or the holders of the Notes with respect to any matter relating to the Subordinated Loan. In such event, it is contemplated that the holders of the Notes and the Indenture Trustee will continue to have the right to direct the Cayman Trustee with respect to all matters relating to the Subordinated Loan. Any such assignment, however, may give rise at such time to an increase in applicable withholding tax or Peruvian value added tax imposed on the Borrower and may result in redemption of the Notes.

The Lender may have other relationships with the Bank.

The Lender and its affiliates have and will continue to have a wide range of banking, insurance, trust and other financial relationships with the Bank. As a consequence of these relationships, the Lender or its affiliates may take actions that, directly or indirectly, may entitle them to appear in proceedings with respect to claims against the Bank. As a result of such relationships, the Lender may take a position in favor of the Bank or contrary to the interests of the Trust and the holders of the Notes. In managing such relationships, the Lender and its affiliates are under no obligation to consider the effect of their actions on the holders of the Notes. In addition, in the course of such relationships or otherwise, the Lender or its affiliates may come into possession of material nonpublic information with respect to the Bank. The Lender will not be required to disclose any such information under the Participation Agreement or in connection with the transactions described herein or to use such information for the benefit of the holders of the Notes, nor will the possession of such information prevent the Lender from taking actions under the Participation Agreement.

The Lender is not an agent of the Trust and retains the ability to decline to follow instructions from holders of the Notes.

Under the terms of the Participation Agreement, so long as the Lender is the lender with respect to the Subordinated Loan subject to such agreement, the Lender has agreed to seek the instructions of the Trust (and indirectly those of the Noteholders) with respect to the management and administration of the Subordinated Loan Agreement and, the Subordinated Loan. Although it is expected that the Lender will generally follow such instructions, the Lender does not have any fiduciary duty to the holders of the Notes or the Trust. The Lender has retained the right to decline following such instructions if it believes that giving effect to the instructions of the Trust (and the holders of the Notes) will be in conflict with its other business interests as described under "Description of the Notes and the Other Transaction Documents—The Participation Agreement—Administration of the Participation." In such cases, the Lender will use its reasonable best efforts to address this by assigning its interest in the Subordinated Loan Agreement and the Subordinated Loan either to another lender or, if this is not possible, to the Trust itself. Notwithstanding the foregoing, if the Lender is for any reason unable to do so, the Lender may decline to follow the instructions of the Trust (and the holders of the Notes), which may have an adverse effect on the Noteholders, including the recovery of amounts due in respect thereof.

The holders of the Notes must direct the Lender to take actions.

Under the Participation Agreement, the Lender will manage the Subordinated Loan Agreement and the Subordinated Loan in accordance with the instructions of the holders of the Notes. In the absence of any instructions from the holders of Notes, it is possible that the Lender may decline to take any action with respect to collection, management or enforcement of any of the Subordinated Loan Agreement and the Subordinated Loan. As a result, the holders of the Notes will need to be certain to follow and respond to any requests for instructions furnished indirectly to them by the Indenture Trustee on behalf, of the Lender.

There are restrictions on transfers of the Notes.

The Trust is relying on an exemption from registration under the Securities Act in this offering of the Notes and on the exemption provided for in Section 3(c)(7) of the Investment Company Act. As a result, the Notes may only be sold to and/or held in the United States by "Qualified Purchasers" within the meaning of Section 2(a)(51) of the Investment Company Act. See "Notice to Investors" for more information about these and other transfer restrictions including under U.S. securities laws. Consequently, each holder of the Notes have an obligation to ensure that its offers and sales of the Notes within the United States and other countries comply with applicable securities laws. See "Notice to Investors."

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. Neither the Bank nor the Trust can 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 and the Trust have applied to admit to listing the Notes on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market. 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 and the Trust 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 and the Trust do not intend to provide registration rights to holders of Notes and do not intend to file any registration statement with the SEC in respect of the Notes. The Notes have not and will not be registered with Peru's Securities and Companies Supervisory National Commission (*Comisión Nacional Supervisora de Empresas y Valores* or "CONASEV") nor with the BVL and therefore the Notes may not be publicly offered or sold nor be the subject of intermediation in Peru. 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 and the Trust 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.

Legal investment considerations may restrict certain investments

The investment activities of certain investors may be subject to law or 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.

Holders of Notes may find it difficult to enforce civil liabilities against the Trust.

The Trust is not an entity with an independent legal existence. The Cayman Trustee is a company with limited liability incorporated under the laws of the Cayman Islands. As a result, it may not be possible for investors to effect service of process upon the Cayman Trustee within the United States or to enforce against the Cayman Trustee in United States courts judgments predicated upon the civil liability provisions of the securities laws of the United States. According to the Trust's Cayman Islands counsel, there is doubt as to the enforceability in the Cayman Islands, in original actions or in actions for the enforcement of judgments of the United States courts, of liabilities predicated solely upon United States securities laws. See "Enforcement of Judgments."

Holders may face exchange control and exchange rate risks.

The ability of the Trust to make, or cause to be made, payments in respect of interest on the Notes are based on the Bank's payments in respect of the Subordinated Loan, which in turn depends on the cash flow available for the Bank's debt service, which is denominated in Nuevos Soles. These obligations with respect to the cash flow available for the Bank's debt service are subject to the ability to convert Nuevos Soles into U.S. Dollars, the rates at which such conversions occur, and the ability to repatriate such funds into the United States. The Nuevo Sol may be subject to significant fluctuations in the future. See "Exchange Rates and Currency."

U.S. holders are subject to U.S. federal income tax consequences of investing in the Notes.

The Trust will treat, and each holder of a Note and beneficial owner of a Note by acquiring a beneficial interest in a Note agrees to treat, solely for U.S. federal, state and local tax purposes, (a) the Notes as an ownership interest in the Subordinated Loan, which is equity of the Bank, and (b) the Trust as a mere security arrangement that serves to secure and facilitate payment of principal, interest, and other amounts due under the Subordinated Loan to holders of the Notes pursuant to the Participation Agreement. However, there are no statutory, judicial or administrative authorities that address the U.S. federal income tax treatment of a structure consisting of instruments and arrangements similar to the Notes, the Trust, the Participation Agreement, and the Subordinated Loan and accordingly, this treatment is not certain.

There are possible alternative U.S. federal income tax characterizations of the Notes and other aspects of the structure that may be adverse to holders of Notes. See "Taxation — U.S. Federal Income Tax Considerations — Possible Alternative Tax Treatments." In particular, if the Notes were treated as an ownership interest in a foreign grantor trust, U.S. holders may be subject to potentially onerous information reporting requirements. See "Taxation — U.S. Federal Income Tax Considerations — Possible Alternative Tax Treatments — Notes May be Treated as Ownership Interests in a Grantor Trust for U.S. Federal Income Tax Purposes." Accordingly, holders are advised to consult their own tax advisors regarding such alternative characterizations.

The identity of the obligor of the indebtedness giving rise to the payment on the Notes for U.S. federal income tax purposes is not entirely clear. Thus, IRS Forms W-8 and W-9, as applicable, will need to be received from all holders of Notes in order to avoid potential U.S. withholding tax on payments on the Notes in the event that the obligor of such indebtedness is determined to be a U.S. person, which payments on the Notes, in the case of a non-U.S. holder, generally will be subject to the portfolio interest exemption, unless such payments on the Notes are received by certain non-U.S. holders. In the event that a non-U.S. holder fails to provide to the paying agent a duly completed and executed IRS Form W-8, the paying agent will withhold 30% of the payments on the Notes (and any additional amounts) otherwise payable to such non-U.S. holder.

USE OF PROCEEDS

The net proceeds from the offering will be approximately U.S.$198.2 million, and will be used by the Trust to purchase an interest in the Participation. The Bank intends to use the Subordinated Loan for general corporate purposes. The Bank is entering into the Subordinated Loan Agreement with the intention and purpose of increasing the amount of its regulatory capital in Peru. See "Description of the Notes and the Other Transaction Documents" for a definition of the Bank's regulatory capital.

EXCHANGE RATES AND CURRENCY

Exchange rates for the Nuevo Sol have been relatively unstable in recent years. The following table sets forth the Central Bank's period-average and period-end buying rates for U.S. Dollars for the years ended December 31, 2006 through December 31, 2009 and through the dates indicated in the table below.

Period	Low	High	Average(1)	Period-end
	(nominal Nuevos Soles per U.S. Dollar)			
2006	3.195	3.451	3.265	3.195
2007	2.968	3.199	3.123	2.995
2008	2.690	3.141	2.939	3.139
2009	2.852	3.258	3.005	2.888
2010				
January	2.845	2.880	2.855	2.855
February	2.846	2.870	2.853	2.846
March	2.836	2.843	2.839	2.841
April	2.834	2.846	2.839	2.846
May	2.837	2.852	2.845	2.843
June	2.825	2.849	2.838	2.826
July	2.814	2.825	2.822	2.822
August	2.795	2.817	2.801	2.796
September	2.787	2.795	2.790	2.787
October	2.786	2.798	2.791	2.796

(1) Calculated as the average of the month-end exchange rates for 2006, 2007, 2008 and 2009. Calculated as the average of the daily exchange rates for January, February, March, April, May, June, July and August 2010.

Source: Central Bank

The exchange rate for the purchase of U.S. Dollars by Peruvian banks reported by the SBS on November 17, 2010 was S/. 2.809 per U.S.$1.00.

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.

- 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 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 2010, the Bank paid 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. The distribution of a 25.297298% stock dividend on the Bank's common shares is currently pending due to the capitalization of special reserves and retained earnings.

In 2009, the Bank paid dividends in an aggregate amount of S/. 362.1 million (S/. 0.32638112 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 32.627924% stock dividend on its common shares.

In 2008, the Bank paid dividends in an aggregate amount of S/. 474.6 million (S/. 0.556452 per share), with respect to distributable income of the prior year. These dividends were paid to shareholders on April 16, 2008. On August 22, 2008, the Bank distributed a 30.062865% stock dividend on its common shares.

In 2007, the Bank paid dividends in an aggregate amount of S/. 390.5 million (S/. 0.45792255 per share), with respect to distributable income of the prior year. These dividends were paid to shareholders on April 23, 2007.

Each payment 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 unconsolidated regulatory capital as of June 30, 2010 and as adjusted to give effect to the issuance of the US$ 200 million of Notes offered hereby, which information has been derived from the Interim Unaudited Financial Statements.

	As of June 30, 2010		
	(unaudited)		
	Actual	**As Adjusted for the Offering**	**As Adjusted for the Offering**
	(Nuevos Soles in millions)		*U.S. Dollars in millions)*[1]
Capital stock	1,843.4	1,843.4	652.3
Legal and other capital reserves	508.6	508.6	180.0
Gains with capitalization agreement	0	-	-
Level 1 subordinated debt	0	415.1	146.9
Less: Loss from prior periods	0	-	-
Less: Goodwill	0	-	-
Less: Other deductions	(31.8)	(31.8)	(11.2)
Total level 1 regulatory capital	2,320.3	2,735.4	968.0
Level 2 subordinated debt	665.0	815.0	288.4
Provision for loan losses	276.5	276.5	97.8
Less: Other deductions	(31.8)	(31.8)	(11.2)
Total level 2 regulatory capital	909.7	1,059.8	375.0
Total regulatory capital	**3,230.0**	**3,795.2**	**1,343.0**
Total shareholders' equity	2,843.7	2,843.7	1,006.2
Risk-weighted assets	23,398.7	23,398.7	8,279.8
Capital ratio:			
Regulatory capital as a percentage of risk-weighted assets [2][3]	13.80%	16.22%	16.22%

(1) For the convenience of the reader, these figures have been translated into U.S. Dollars at S/. 2.826 = US$ 1.00, the rate published by the SBS for June 30, 2010. Such translation should not be construed as a representation that the Nuevo Sol amounts have been converted into U.S. Dollars pursuant to the requirements of IFRS, U.S. GAAP or generally accepted accounting principles in any other country.

(2) Regulatory capital as calculated in accordance with guidelines of the Basel II Accord, as adopted by the SBS. This ratio is calculated on an unconsolidated basis. There has been no material change in the Bank's capital ratio since June 30, 2010.

(3) The SBS minimum regulatory capital requirements, expressed as a percentage of risk-weighted assets are as follows:
- 9.5% until June 30, 2010
- 9.8% from July 1, 2010 until June 30, 2011
- 10.0% from July 1, 2011 onwards

SELECTED FINANCIAL INFORMATION

The following tables present the Bank's selected historical financial data as of December 31, 2009, 2008 and 2007, which were derived from the Audited Financial Statements, and as of the interim periods ended June 30, 2010 and June 30, 2009, 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 between Peruvian GAAP and U.S. GAAP, 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,		
	2009(1)	2009	2008	2007	2010(2)	2010	2009
	(U.S. Dollars in thousands)	*(Nuevos Soles in thousands)*			*(U.S. Dollars in thousands)*	*(Nuevos Soles in thousands)*	
Statement of Income Data:							
Financial income	952,698	2,753,297	2,521,101	1,963,545	426,270	1,204,639	1,525,827
Financial expenses	(241,379)	(697,584)	(905,480)	(735,554)	(86,964)	(245,759)	(439,529)
Gross financial margin	711,319	2,055,713	1,615,621	1,227,991	339,306	958,880	1,086,298
Provisions for loan losses, net of recoveries (3)	(112,331)	(324,636)	(245,583)	(166,919)	(50,543)	(142,835)	(157,194)
Net financial margin	598,989	1,731,077	1,370,038	1,061,072	288,763	816,045	929,104
Income from financial services, net	166,413	480,934	438,973	384,463	92,908	262,559	227,838
Administrative expenses (4)	(279,526)	(807,831)	(725,715)	(595,793)	(137,477)	(388,509)	(367,181)
Other income (expense), net	(19,021)	(54,970)	(24,805)	31,427	(12,570)	(35,523)	(32,885)
Income before workers' profit sharing and income tax	466,855	1,349,210	1,058,491	881,169	231,625	654,572	756,876
Workers' profit sharing	(18,126)	(52,384)	(43,288)	(35,834)	(8,168)	(23,084)	(29,445)
Income tax	(127,701)	(369,057)	(290,703)	(253,354)	(58,792)	(166,147)	(207,823)
Net income	321,027	927,769	724,500	591,981	164,664	465,341	519,608

(1) Data expressed in U.S. Dollars for the year ended December 31, 2009 has been translated at the rate of S/. 2.89 per US$ 1.00, based on the exchange rate reported by the SBS on December 31, 2009.
(2) Data expressed in U.S. Dollars for the period ended June 30, 2010 has been translated at the rate of S/. 2.826 per US$ 1.00, based on the exchange rate reported by the SBS on June 30, 2010.
(3) Provisions for loan losses include provisions with respect to total direct loans. Direct loans represent outstanding loans while indirect loans include guarantees and stand by letters of credit, import and export letters of credit and due from bank acceptances.
(4) Administrative Expenses includes personnel, general and depreciation and amortization expenses.

Consolidated Balance Sheets

	As of December 31,				As of June 30,		
	2009[1]	2009	2008	2007	2010[2]	2010	2009
	(U.S. Dollars in thousands)		*(Nuevos Soles in thousands)*		*(U.S. Dollars in thousands)*	*(Nuevos Soles in thousands)*	
Balance Sheet Data:							
Cash and due from banks	1,684,155	4,867,209	6,936,571	4,595,336	1,480,220	4,183,101	5,222,584
Interbank funds	16,956	49,003	27,505	120,016	-	-	24,080
Investments in securities, net	1,357,615	3,923,508	4,250,339	2,812,292	1,501,637	4,243,627	3,621,129
Total loans, net [3]	6,850,400	19,797,656	20,568,445	16,227,660	7,697,680	21,753,645	20,225,992
Investments in associates	660	1,908	1,458	6,297	615	1,738	1,458
Property, furniture and equipment, net	134,489	388,674	353,281	290,660	137,773	389,347	340,115
Other assets	356,053	1,028,992	1,306,549	679,027	337,189	952,897	1,047,366
Total assets	10,400,329	30,056,950	33,444,148	24,731,288	11,155,115	31,524,355	30,482,724
Deposits and other obligations	7,444,183	21,513,690	20,915,871	17,227,967	7,965,248	22,509,791	22,248,519
Demand deposits	2,274,660	6,573,767	5,543,523	4,561,394	2,722,603	7,694,075	5,438,125
Saving deposits	1,798,611	5,197,986	4,199,458	3,211,258	1,852,335	5,234,699	4,577,784
Time deposits	3,090,012	8,930,136	10,616,051	8,745,607	3,143,095	8,882,387	11,438,511
Deposits from financial institutions	211,228	610,450	403,989	530,935	204,077	576,723	636,013
Other obligations	69,672	201,351	152,850	178,773	43,138	121,907	158,086
Interbank funds	219,793	635,201	146,082	-	19,557	55,267	352,035
Liabilities to banks and correspondents	735,984	2,126,994	6,986,737	4,141,871	1,157,293	3,270,509	2,670,934
Securities, bonds and outstanding obligations	613,469	1,772,926	1,843,473	778,165	619,925	1,751,907	1,749,877
Other liabilities	387,310	1,119,327	1,318,268	583,123	386,759	1,092,981	1,000,914
Total liabilities	9,400,740	27,168,138	31,210,431	22,731,126	10,148,781	28,680,455	28,022,279
Total shareholders' equity	999,589	2,888,812	2,233,717	2,000,162	1,006,334	2,843,900	2,460,445
Total liabilities and shareholders' equity	10,400,329	30,056,950	33,444,148	24,731,288	11,155,115	31,524,355	30,482,724

(1) Data expressed in U.S. Dollars for the year ended December 31, 2009 has been translated at the rate of S/. 2.89 per US$ 1.00, based on the exchange rate reported by the SBS on December 31, 2009.

(2) Data expressed in U.S. Dollars for the period ended June 30, 2010 has been translated at the rate of S/. 2.826 per US$ 1.00, based on the exchange rate reported by the SBS on June 30, 2010.

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

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.

	As of and for the year ended December 31,			As of and for the period ended June 30,	
	2009	2008	2007	2010	2009
	(Nuevos Soles in thousands, except percentages and Operations)				
Profitability and efficiency:					
Return on average assets [1]	2.92%	2.49%	2.73%	3.02%	3.25%
Return on average shareholders' equity [2]	36.22%	34.22%	31.78%	32.47%	44.28%
Net interest margin [3]	8.46%	7.34%	7.31%	7.71%	8.92%
Efficiency ratio [4]	31.85%	35.32%	36.95%	31.81%	27.94%
Capitalization:					
Shareholders' equity as a percentage of total assets	9.61%	6.68%	8.09%	9.02%	8.07%
Tangible common equity	1,471,243	1,109,301	852,896	1,843,427	1,471,243
Tier 1 capital as a percentage of risk-weighted assets	8.99%	7.50%	8.37%	9.92%	9.15%
Regulatory capital as a percentage of risk-weighted assets	13.31%	11.91%	11.56%	13.80%	13.66%
Credit Quality data:					
Non-performing loans	217,387	252,255	182,145	266,303	236,336
Total non-performing loans over total gross loans	1.04%	1.17%	1.07%	1.16%	1.11%
Provisions for loan losses as a percentage of total gross loans [5]	4.15%	3.56%	3.34%	4.15%	3.80%
Provisions for loan losses as a percentage of non-performing loans[5]	401.19%	304.20%	311.65%	359.05%	341.66%
Operations:					
Number of branches	243	253	239	259	262
Number of employees	4,376	4,365	3,732	4,482	4,274

(1) Return on average assets was calculated as net income over average total assets. For June 2010 (June 2009), net income was annualized and return on average assets was calculated over average total assets between June 2010 (June 2009) and December 2009 (December 2008).

(2) Return on average shareholders' equity was calculated as net income over average shareholders' equity. For June 2010 (June 2009), net income was annualized and return on average shareholders' equity was calculated over average shareholders' equity between June 2010 (June 2009) and December 2009 (December 2008).

(3) Net interest margin was calculated as gross financial margin over interest earnings assets (interbank funds, available-for-sale securities, short-term and long-term loan portfolio).

(4) Efficiency ratio was calculated as administrative expenses over operating revenue, which is the aggregate of gross financial margin, fees, investment income and other income.

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

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

The financial information presented in this section as of and for the six-month periods ended June 30, 2010 and 2009 and for the years ended December 31, 2009, 2008 and 2007 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 SEC guidelines applicable to banking institutions in the United States. No reconciliation of any of the Bank's Financial Statements to U.S. GAAP 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 between Peruvian GAAP and U.S. GAAP.

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, 2010, the Bank had total assets of S/. 31,524 million (US$ 11,155 million), total net direct loans of S/. 21,754 million (US$ 7,698 million), total deposits of S/. 22,510 million (US$ 7,965 million) and shareholders' equity of S/. 2,844 million (US$ 1,006 million). The Bank's performing loans as calculated by the SBS and deposits represent 23.2% and 21.2%, respectively, of the Peruvian banking system according to the SBS. Through the Bank's 259 branches, it reaches approximately 1.8 million customers and operate in almost every region of Peru. The banking system in Peru remains heavily concentrated among four dominant banks (of which the Bank is the second largest) that have a collective market share of approximately 84% of assets, 85% of deposits and 84% of performing loans, as of June 30, 2010.

Economic Environment

The Bank is a Peruvian bank with substantially all of its operations in Peru and derive substantially all of its income from Peru. The Bank is highly dependent on the performance of the Peruvian economy and, generally, on social and political conditions in Peru.

In 2007, economic activity in Peru continued to show a robust growth mainly due to the dynamic performance of the domestic economy. Positive sentiment combined with growth in employment and disposable income drove investment and private consumption. GDP grew 9.0% in 2007, the account surplus of the balance of payments current account stood at 1.4% of GDP in 2007 and the fiscal balance stood at 3.1% of GDP in 2007. Inflation, however, increased above the target range of 1 to 3% to 3.9%, due to higher commodity prices and high domestic demand. In response, the Central Bank raised the reference rate for the interbank market on two occasions in July and September. As a result, the interbank average rate increased from 4.5% in December 2006 to 5.0% in December 2007. The nominal average exchange rate declined from S/. 3.21 per Dollar in December 2006 to S/. 2.98 in December 2007.

In 2008, Peruvian GDP grew at the highest rate since 1994, registering growth of 9.8% for the year. GDP increased by 10.9% in the first nine months of 2008, reflecting strong domestic demand, and increased by 6.7% in the fourth quarter of 2008, affected by less favorable external conditions. The balance of payments current account registered a deficit of 3.7% of GDP in 2008 while the fiscal balance registered a surplus of 2.1% of GDP in 2008. Inflation reached 6.7% in December, above the Central Bank target for two consecutive years. The Central Bank raised the reference rate for the interbank market on six occasions in 2008, from 5.0% on December 6, 2007 to 6.5% on September 11, 2008, remaining unchanged thereafter in 2008. The Central Bank also introduced higher reserves requirements on domestic and foreign currency. The nominal average exchange increased from S/. 2.98 per Dollar in December 2007 to S/. 3.11 in December 2008.

In 2009, Peruvian GDP grew 0.9%, a decrease from the annual average of 5.9% between 2002 and 2008. This deceleration reflected external conditions that had markedly worsened, with associated decreases in investments and corporate spending. Private investment in Peru fell by more than 15% in 2009, with increases in inventories leading to lower production. Considering the magnitude of the external shock to Peru from the global financial and economic crisis, it is noteworthy that Peruvian GDP still grew, which was not the case in most of the largest countries in Latin America. The Peruvian economy has strengthened in recent years, and its resilience is demonstrated in the fiscal accounts, business competitiveness and management, and bank regulation, which have improved the capability to absorb negative impacts and do not amplify them as in the past. Fiscal and monetary authorities were able to implement economic stimulus measures, while business strength helped to prevent a contraction in employment. Foreign credit risk agencies acknowledged this resilience and upgraded Peru to investment grade (Fitch and Standard & Poor in 2008 and Moody's in late 2009).

In the first half of 2010, the Peruvian economy recovered sharply, with GDP growing by nearly 8% on a year over year basis and more than 9% on a year over year basis in the second quarter of 2010. Thus, the increased global uncertainty related to European fiscal solvency problems has had a only modest impact in Peru, basically limited to the financial markets, with risk indicators (EMBI+, CDS) increasing significantly less than after the Lehman Brothers' bankruptcy in late 2008.

The main driver of economic performance of the country has been strong domestic demand. Private investment increased 17.7% on a year over year basis in the six months ended June 30, 2010. The Bank believes that business confidence is at a high level. Major projects that were deferred last year during the global financial crisis have been resumed.

In addition, economic stimulus measures implemented during 2009 by the Peruvian government have continued to provide support to economic activity. However, the strength of the cyclical recovery in private spending should make economic stimulus measures less necessary. The Peruvian government has announced measures to slow down fiscal expenditures, an effect which should be more noticeable in the second half of 2010. On the monetary side, the Central Bank has begun to gradually raise its policy interest rate, a process which is followed by increases in reserve requirements intended to strengthen the Nuevo Sol (largely related to short-term capital inflows).

GDP growth in 2010 has not resulted so far in inflationary pressures, which remain contained. Headline and core inflation have stayed slightly below the center of the Central Bank's target (2% per annum with a + / - 1% tolerance band). The withdrawal of the monetary stimulus that has begun is primarily preemptive and seeks to ensure an ordered convergence of GDP to its medium-term trend, that is, with no inflationary pressures and with sustainable results in the balance of payments current account.

Significant 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, 2007, 2008 and 2009 and June 30, 2009 and 2010, 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, 2007, 2008 and 2009 and June 30, 2009 and 2010, 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".

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 prepared 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 used in the preparation of the Financial Statements are related to the calculation of the provision for loan losses, the valuation of investments, the estimation of useful life and the recoverable amount of property, furniture and equipment and intangibles, the provision for assets seized and recovered through legal actions, the provision for contingencies, the provision for other accounts receivable losses, the deferred employee's profit sharing and income tax and the valuation of derivative financial instruments through profit and loss. The accounting criteria used for each of these items are described below.

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 interest in suspense 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.

Provision 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 consideration factors such as the debtor's financial history, repayment capacity and payment history. 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 currently effective and is recorded in a preventative manner for direct loans, indirect loans and finance lease transactions 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, indirect loans and finance lease transactions 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 guarantee" (*i.e.*, cash deposits and rights in letters of credit); "preferred easily realizable guarantee" (*i.e.*, treasury bonds issued by the central government, bearer securities listed on the Lima Stock Exchange and certain others); and "preferred guarantee" (*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 for commercial, small-business and mortgage loans and consumer loans:

Level of Risk Classification	Without guarantee	With preferred guarantee	With preferred easily realizable guarantee	With preferred readily realizable guarantee
Normal	1.00%	1.00%	1.00%	1.00%
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%.

In accordance with guidelines established by the SBS, the provisions were computed according to the percentages shown below:

Type of 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%

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 how provisions for loan losses are calculated and their classification 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 companies, (iii) medium – sized companies, (iv) small businesses, (v) micro enterprises, (vi) revolving consumer, (vii) non-revolving consumer and (viii) home 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 companies</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 sized companies</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 businesses</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>Microenterprises</td><td></td><td>Total indebtedness in the financial system is no greater than S/. 20 thousand last 6 months</td></tr>
<tr><td>11</td><td>Revolving consumers</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 consumers</td><td></td></tr>
<tr><td>13</td><td>Home mortgage</td><td>Acquisition, construction, refurbishment, remodeling, expansion, improvement and sub division of owner's home backed by a duly constituted 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 letters of guarantee that support affirmative and negative covenants.....	50%
c) Issuances of guarantees, import letters of credit and any letter of guarantee not included under letter "b)" and those confirmations of letters of credit not included under letter "a)" , as well as banker acceptances..	100%
d) Approved undisbursed loans and unused lines of credit	0%
e) Other indirect credit not included in the letter items referenced above.......................	100%

– The loan portfolio will be classified into five risk categories: normal, potential problems, 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 contingency provision under each risk category are shown below:

Normal Category

Types of Credit	Fixed Component	Procyclical Component
Corporate Loans	0.70%	0.40%
Corporate loans supported by self liquidating collateral security	0.70%	0.30%
Loans to large companies	0.70%	0.45%
Loans to large companies supported by self liquidating collateral security	0.70%	0.30%
Loans to medium sized companies	1.00%	0.30%
Loans to small businesses	1.00%	0.50%
Loans to microenterprises	1.00%	0.50%
Revolving consumer credit	1.00%	1.50%
Non- revolving consumer credit	1.00%	1.00%
Consumer credit under eligible agreements	1.00%	0.25%
Home mortgage loans	0.70%	0.40%
Home mortgage loans supported by self liquidating collateral security	0.70%	0.30%

Other categories and by security type

Risk Category	Unsecured	Preferred Security	Liquid Preferred Collateral Security
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%

Investments

Until February 2009, the accounting records and valuation of investments were made according to SBS Resolution No. 1914-2004. According to such regulation, investments were initially recognized at acquisition cost and subsequently valued as per the accounting criteria corresponding to the investment category in which they were classified, more specifically as marketable investments for financial intermediation, available-for-sale investments, held-to-maturity investments and permanent investments.

As of March 2009, 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 has amended and clarified investment classification, valuation and provisioning and modified the SBS Accounting Manual for Financial Institutions in order to harmonize the recording criteria with international accounting practices, primarily with the classification and valuation criteria of IAS 39 "Financial Instruments: Recognition and Measurement." These changes were applied prospectively.

SBS Resolution No. 10639-2008 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 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 taken 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

The Bank values and accounts for derivatives in accordance with SBS Resolution No. 1737-2006, effective January 1, 2007, as amended by SBS Resolution No. 1349-2008. These regulations establish accounting criteria for held-for-trading, hedging and embedded derivatives. Derivative financial instruments are initially registered at trade date and are subsequently re-priced at their fair value on a monthly basis. All derivatives are accounted as assets when changes in fair value are positive and as liabilities when changes in fair value are negative. Gains and losses for changes in their fair values are recorded in the consolidated income statement. In addition to their recording in the consolidated balance sheet, derivative instruments described above are recorded in contingent accounts at fair value, determined using spot prices.

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.

Income Tax and Employees' Profit Sharing

Income tax and employees' profit sharing are calculated on the basis of taxable income as determined by Peruvian GAAP and are recorded according to applicable tax regulations. Deferred income tax and workers' profit sharing reflect the effects of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts determined for tax purposes. Deferred income tax and employees' profit sharing are calculated on the basis of tax rates and regulations that are expected to be applied when the deferred tax asset is realized or the deferred tax liability is settled. Provisions for deferred income tax and the measurement of deferred tax assets and deferred tax liabilities reflect the tax consequences that arise from the manner in which the Bank expects to recover or settle the carrying amount of assets and liabilities at the consolidated balance sheet date. Deferred tax assets and liabilities are recognized without taking into consideration the time in which it is estimated that temporary differences will be realized or settled. Deferred assets are recognized when sufficient future tax benefits are probable for the realization of the deferred assets.

Results of Operations

Results of Operations for the Six Months Ended June 30, 2010 Compared to the Six Months Ended June 30, 2009

The following table shows the principal components of the Bank's net income for the six months ended June 30, 2010 and 2009.

	For the six months ended June 30,		Percentage Change
	2010	**2009**	*(%)*
	(Nuevos Soles in thousands)		
Financial income	1,204,639	1,525,827	(21.1)
Financial expenses	(245,759)	(439,529)	(44.1)
Gross financial margin	958,880	1,086,298	(11.7)
Provisions	(142,835)	(157,194)	(9.1)
Net financial margin	816,045	929,104	(12.2)
Income from financial services	262,559	227,838	15.2
Operating profit margin	1,078,604	1,156,942	(6.8)
Administrative expenses	(388,509)	(367,181)	5.8
Other income (expense), net	(35,523)	(32,885)	8.0
Income before workers' profit sharing and income tax	654,572	756,876	(13.5)
Workers' profit sharing	(23,084)	(29,445)	(21.6)
Income tax	(166,147)	(207,823)	(20.1)
Net income	**465,341**	**519,608**	**(10.4)**

Net income for the six months ended June 30, 2010 decreased to S/. 465,341 thousand from S/. 519,608 thousand for the six months ended June 30, 2009, a decrease of S/. 54,267 thousand, or 10.4%, mainly driven by a lower interest rate environment, as well as other factors detailed below.

Gross Financial Margin

The following table sets forth the principal components of gross financial margin for the six months ended June 30, 2010 and June 30, 2009.

	For the six-months ended June 30,		Percentage Change
	2010	**2009**	*(%)*
	(Nuevos Soles in thousands)		
Financial income	**1,204,639**	**1,525,827**	**(21.1)**
Interest on loans	990,517	1,111,559	(10.9)
Income from changes in fair value, revenue, interests and gain on sales of investment securities	98,151	262,024	(62.5)
Interest on cash and due from banks	2,522	4,732	(46.7)
Result on foreign exchange	103,201	87,522	17.9
Gain from financial derivative instruments trading	0	53,387	(100.0)
Dividends and share profit from permanent investments	297	0	
Interest and commissions on inter-bank funds	135	402	(66.4)
Readjustment indexation	6,710	3,306	103.0
Other financial income	3,106	2,895	7.3
Financial expenses	**(245,759)**	**(439,529)**	**(44.1)**
Interest on deposits	(103,737)	(239,428)	(56.7)

	For the six-months ended June 30, 2010	2009	Percentage Change (%)
	(Nuevos Soles in thousands)		
Interest on due to banks and international financial organizations	(36,488)	(134,560)	(72.9)
Insurance deposit premiums fund	(13,381)	(13,080)	2.3
Interest on outstanding securities, bonds and obligations	(38,866)	(43,315)	(10.3)
Gain (loss) from financial derivative instruments, trading	(46,636)	0	
Readjustment Indexation	(4,088)	(2,035)	100.9
Other financial expenses	(2,563)	(7,111)	(64.0)
Gross financial margin	**958,880**	**1,086,298**	**(11.7)**

Financial Income

Financial income decreased 21.1% to S/. 1,204,639 thousand for the six months ended June 30, 2010 compared to S/. 1,525,827 thousand for the six months ended June 30, 2009, a decrease mainly due to the general fall in average interest rates in the Peruvian market. This decrease principally includes lower income from interest on loans (a decrease of 10.9%). The Bank also recognized a decrease of 62.5% in income from changes in fair value, revenue, interests and gain on sales of investment securities, reflecting the fact that in the first six months ended June 30, 2009 it recognized a gain from its position in the sovereign bonds.

Financial Expenses

Financial expenses decreased 44.1% to S/. 245,759 thousand for the six months ended June 30, 2010 from S/. 439,529 thousand for the six months ended June 30, 2009. The Bank's financial expense decreased at a higher rate than its financial income increased reflecting its ability to re-price its liabilities at a faster rate than to re-price its loans and other assets. Loss from financial derivative instruments increased to S/. 46,636 thousand for the six months ended June 30, 2010 from a gain of S/. 53,387 for the six months ended June 30, 2009. The loss was mainly due to the decrease in the LIBOR U.S. Dollar rate and its impact on the Bank's interest rate swap position.

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

Provisions

Provisions decreased 9.1% to S/. 142,835 thousand as of June 30, 2010 from S/. 157,194 thousand as of June 30, 2009. The decrease in provisions resulted from the SBS's decision to temporarily suspend a pro-cyclical provision it required banks to make in 2009.

Net Financial Margin

Net financial margin decreased 12.2% to S/. 816,045 thousand for the six months ended June 30, 2010 from S/. 929,104 thousand for the six months ended June 30, 2009, as a result of the factors explained above.

Income from Financial Services, Net

Income from financial services increased 15.2% to S/. 262,559 thousand for the six months ended June 30, 2010 from S/. 227,838 thousand for the six months ended June 30, 2009.

The following table sets forth the components of income from financial services for the six months ended June 30, 2010 and June 30, 2009:

	For the six months ended June 30,		Percentage Change
	2010	2009	(%)
	(Nuevos Soles in thousands)		
Income from financial services, net	**262,559**	**227,838**	**15.2**
Income from contingent operations	63,744	49,032	30.0
Income from various financial services	198,815	178,806	11.2

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

- Income from contingent operations, net, increased 30.0% to S/. 63,744 thousand for the six months ended June 30, 2010 from S/. 49,032 thousand for the six months ended June 30, 2009. This increase was mainly due to the continued growth of guarantee issuances and the recovery of external trade activities.

- Income from various financial services increased 11.2% to S/. 198,815 thousand for the six months ended June 2010 from S/. 178,806 thousand for the six months ended June 2009 mainly as a result of the increase in commissions for renewal of credit and debit cards, maintenance on-demand and savings deposits, collections, transfers, money orders, transactions with on-demand deposits, transactions with checks of other banks, financial advisory services and others.

Administrative Expenses

Administrative expenses increased 5.8% to S/. 388,509 thousand for the six months ended June 30, 2010 from S/. 367,181 thousand for the six months ended June 30, 2009.

The following table sets forth the components of administrative expenses for the six months ended June 30, 2010 and 2009:

	For the six months ended June 30,		Percentage Change
	2010	2009	(%)
	(Nuevos Soles in thousands)		
Administrative expenses	**(388,509)**	**(367,181)**	**5.8**
Personnel and directors' expenses	(191,026)	(185,384)	3.0
General expenses	(173,889)	(157,630)	10.3
Depreciation and amortization	(23,594)	(24,167)	(2.4)

- Personnel and directors' expenses increased 3.0% to S/. 191,026 for the six months ended June 30, 2010 from S/. 185,384 thousand for the six months ended June 30, 2009. This increase was mainly due to the opening of new branches.

- General expenses increased 10.3% to S/. 173,889 thousand for the six months ended June 30, 2010 from S/. 157,630 thousand for the six months ended June 30, 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, general services, office supplies, transport of money, surveillance and communication, (ii) the implementation of new projects focused on quality and serving specific customer segments and (iii) the natural expansion of the business.

- Depreciation and amortization decreased 2.4% to S/. 23,594 thousand for the six months ended June 2010 from S/. 24,167 thousand for the six months ended June 2009.

Other Income (Expense), Net

- Other income (expense), net, increased 8.0% to S/. 35,523 thousand for the six months ended June 30, 2010 from S/. 32,885 thousand for the six months ended June 30, 2009. This increase was mainly due to the following factors:

	For the six months ended June 30,		Percentage Change
	2010	2009	(%)
	(Nuevos Soles in thousands)		
Other income (expense), net	**(35,523)**	**(32,885)**	**8.0**
Provisions for accounts receivable	(25,461)	(22,008)	15.7
Recovery for assets seized and recovered through legal actions	(1,566)	(1,621)	(3.4)
Provisions for contingent operations	(18,472)	(13,638)	35.4
Other provisions	(3,503)	(4,252)	(17.6)
Income from recovery of loan portfolio previously written-off	7,674	3,633	111.2
Other income (expense), net	5,805	5,001	16.1

Income before Workers' Profit Sharing and Income Tax

Income before workers' profit sharing and income tax decreased 13.5% to S/. 654,572 thousand for the six months ended June 30, 2010 from S/. 756,876 thousand for the six months ended June 30, 2009.

Workers' Profit sharing

Workers' profit sharing decreased 21.6% to S/. 23,084 thousand for the six months ended June 30, 2010 from S/. 29,445 thousand for the six months ended June 30, 2009.

Income Taxes

Income tax expense decreased 20.1% to S/. 166,147 thousand for the six months ended June 30, 2010 from S/. 207,823 thousand for the six months ended June 30, 2009 due to the decrease in operating income. 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 25.4% for the six months ended June 30, 2010, compared to 27.5% for the six months ended June 30, 2009.

Net Income

Net income decreased to S/. 465,341 thousand for the six months ended June 30, 2010 from S/. 519,608 thousand for the six months ended June 30, 2009 as a result of the reasons discussed above.

Results of Operations for the Year Ended December 31, 2009 Compared to the Year Ended December 31, 2008

The following table sets forth, for the years ended December 31, 2009 and 2008, certain income statement information:

	For the year ended December 31,		Percentage Change
	2009	2008	(%)
	(Nuevos Soles in thousands)		
Financial income	2,753,297	2,521,101	9.2
Financial expenses	(697,584)	(905,480)	(23.0)
Gross financial margin	2,055,713	1,615,621	27.2
Provisions	(324,636)	(245,583)	32.2
Net financial margin	1,731,077	1,370,038	26.4
Income from financial services, net	480,934	438,973	9.6
Operating profit margin	2,212,011	1,809,011	22.3
Administrative expenses	(807,831)	(725,715)	11.3
Other income (expense), net	(54,970)	(24,805)	121.6
Income before workers' profit sharing and income tax	1,349,210	1,058,491	27.5
Workers' profit sharing	(52,384)	(43,288)	21.0
Income tax	(369,057)	(290,703)	27.0
Net income	**927,769**	**724,500**	**28.1**

Net income in 2009 increased to S/. 927,769 thousand from S/. 724,500 thousand in 2008, an increase of S/. 203,269 thousand, or 28.1%. This increase is mainly due to a growth in lending and non-financial income activities as a result of strong economic activity in Peru during such period, as well as other factors detailed below.

Gross Financial Margin

The following table sets forth the principal components of gross financial margin for the years ended December 31, 2009 and 2008:

	For the year ended December 31,		Percentage Change
	2009	2008	(%)
	(Nuevos Soles in thousands)		
Financial income	**2,753,297**	**2,521,101**	**9.2**
Interest on loans	2,143,341	1,922,577	11.5
Income from changes in fair value, revenue, interests and gain on-sales of investment securities	347,341	221,983	56.5
Interest on cash and due from banks	7,276	71,559	(89.8)
Result on foreign exchange	247,348	278,405	(11.2)
Dividends and share profit from permanent investments	370	0	
Interest and commissions on Inter-bank funds	663	2,864	(76.9)
Readjustment indexation	1,191	21,711	(94.5)
Other financial income	5,767	2,002	188.1
Financial expenses	**(697,584)**	**(905,480)**	**(23.0)**
Interest on deposits	(379,584)	(544,352)	(30.3)
Interest on due to banks and international financial organizations	(177,906)	(252,509)	(29.5)
Insurance deposit premiums fund	(25,757)	(22,831)	12.8
Interest on outstanding securities, bonds and obligations	(79,945)	(49,901)	60.2

	For the year ended December 31,		Percentage Change
	2009	**2008**	*(%)*
	(Nuevos Soles in thousands)		
Loss from financial derivative instruments trading	(25,988)	(13,739)	89.2
Readjustment indexation	(691)	(15,628)	(95.6)
Other financial expenses..	(7,713)	(6,520)	18.3
Gross financial margin...	**2,055,713**	**1,615,621**	**27.2**

Gross financial margin increased 27.2% in 2009 compared to 2008 (from S/. 1,615,621 thousand to S/. 2,055,713 thousand). These results are explained further below.

Financial Income

Financial income increased 9.2% to S/. 2,753,297 thousand in 2009 compared to S/. 2,521,101 thousand in 2008. This increase was mainly due to an increase in interest on loans and income from changes in fair value, revenue, interests and purchase-sale of investment securities.

Financial income on interest on loans increased 11.5% to S/. 2,143,341 thousand in 2009 from S/. 1,922,577 thousand in 2008, despite the decrease in performing loans portfolio (as defined by the SBS) of S/. 671,873 thousand during 2009. This increase was accompanied by a decrease in interest-earning deposits at the Central Bank and in the average interest rates earned on loans in 2009 compared to 2008.

The monthly average nominal interest rate earned on loans in 2009 was 10.3% compared to 10.5% in 2008. The monthly average nominal interest rate earned on Nuevo Sol-denominated loans in 2009 was 11.5% compared to 11.4% in 2008. The monthly average nominal interest rate earned on foreign currency-denominated loans in 2009 was 9.1% compared to 9.8% in 2008.

The loan portfolio monthly average balance was S/. 20,755,724 thousand in 2009, an increase of 13.1% compared to S/. 18,347,492 thousand in 2008. This increase is mainly due to an increase in loans in Nuevos Soles of S/. 2,444,994 thousand in 2009 compared to 2008, in particular an increase in mortgage loans driven by the growth in the construction and real estate sectors.

The monthly average nominal interest rate earned on deposits with the Central Bank was 0.2% in 2009 compared to 1.4% in 2008. The monthly average balance of the deposit portfolio with the Central Bank was S/. 3,585,691 thousand in 2009, a decrease of 21.8% from S/. 4,585,512 thousand in 2008.

Financial income from changes in fair value, revenue, interest and purchase-sale of investment securities increased 56.5% to S/. 347,341 thousand in 2009 from S/. 221,983 thousand in 2008, mainly due to profits from the Bank's position in sovereign bonds resulting from the decrease in interest rates.

Financial Expenses

Financial expenses decreased 23.0% in 2009 to S/. 697,584 thousand in 2009 from S/. 905,480 thousand in 2008. This decrease was mainly due to a decrease in interest on deposits and in interest on due to banks and international financial organizations.

Financial expenses on interest on deposits decreased 30.3% to S/. 379,584 thousand in 2009 from S/. 544,352 thousand in 2008. Obligations to the public and deposits in financial institutions increased in S/. 597,819 thousand during 2009. Demand and time savings deposits increased by S/. 2,028,772 thousand from 2008 to 2009, partly offset by a decrease of S/. 1,685,915 thousand in time deposits during the same period.

Average interest rate paid on total interest-bearing liabilities was 2.3% in 2009 compared to 3.3% in 2008. The monthly average balance of total interest-bearing liabilities totaled S/. 27,628,044 thousand in 2009, an increase of 7.8% from S/. 25,623,795 thousand in 2008. This increase is mainly due to the increase in time deposits, savings and demand deposits from clients.

Average interest rates paid on foreign currency-denominated interest-bearing liabilities in 2009 and in 2008 were 1.9% and 3.2%, respectively. The monthly average balance of foreign currency-denominated interest-bearing liabilities decreased to S/. 15,494,596 thousand in 2009 from S/. 15,544,849 in 2008. This decrease is mainly due to the decrease on interest-bearing liabilities due to banks, bonds and other liabilities.

Average interest rates paid on Nuevo Sol-denominated interest-bearing liabilities were 2.9% in 2009 compared to 3.5% in 2008. The monthly average of Nuevo Sol-denominated interest-bearing liabilities totaled S/. 12,133,448 thousand in 2009, an increase of 20.4% when compared to S/. 10,078,946 thousand in 2008. This increase is mainly due to the increase in time deposits, which explains 41.0% of the variation.

Provisions

Provisions for loan losses, net of the recovery of such provisions, charged as expenses increased 32.2% to S/. 324,636 thousand for 2009 from S/. 245,583 thousand for 2008. The increase experienced in 2009 was mainly due to an increase in the Bank's loan portfolio and a new requirement in 2009 by the SBS for additional pro-cyclical provisions for prevention purposes.

The following table sets forth the changes in provisions for the years ended December 31, 2009 and 2008:

	For the year ended December 31,		Percentage Change
	2009	**2008**	*(%)*
	(Nuevos Soles in thousands)		
Provisions (net of recoveries)	**(324,636)**	**(245,583)**	**32.2**
Loans	(514,833)	(392,946)	31.0
Recovery of provisions for loan losses	190,197	147,363	28.8

Net Financial Margin

As a result of the factors detailed above, net financial margin increased by 26.4% to S/. 1,731,077 thousand in 2009 from S/. 1,370,038 thousand in 2008.

Income from Financial Services, Net

Income from financial services, net increased 9.6% to S/. 480,934 thousand in 2009 from S/. 438,973 thousand in 2008.

The following table sets forth the components of income from financial services for the years ended December 31, 2009 and 2008:

	For the year ended December 31,		Percentage Change
	2009	**2008**	*(%)*
	(Nuevos Soles in thousands)		
Income from financial services, net	**480,934**	**438,973**	**9.6**
Income from contingent operations	104,996	82,458	27.3
Income from various financial services	375,938	356,515	5.4

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

- Income from contingent operations, net, increased 27.3% to S/. 104,996 thousand for 2009 from S/. 82,458 thousand for 2008. This increase was mainly due to the continued growth of guarantees despite the decreased external trade.

- Income from various financial services increased 5.4% to S/. 375,938 thousand for 2009 from S/. 356,515 thousand for 2008 mainly as a result of the increase in commissions for insurance, the renewal of credit and debit cards, maintenance and electronic banking, maintenance on-demand and savings deposits, collections, transfers, money orders, transactions with on-demand deposits, transactions with checks of other banks, financial advisory services and others. Other products involving commissions such as mutual funds, stock exchange transactions and transactional banking, among others, were affected by the financial crisis, which resulted in only a moderate increase in this area.

Administrative Expenses

Administrative expenses increased 11.3% to S/. 807,831 thousand in 2009 from S/. 725,715 thousand in 2008.

The following table sets forth the components of administrative expenses for the years ended December 31, 2009 and 2008:

	For the year ended December 31,		Percentage Change
	2009	**2008**	*(%)*
	(Nuevos Soles in thousands)		
Administrative expenses	**(807.831)**	**(725,715)**	**11.3**
Personnel and directors' expenses..	(379,641)	(342,077)	11.0
General expenses..	(367,661)	(340,701)	7.9
Depreciation and amortization	(60,529)	(42,937)	41.0

- Personnel and directors' expenses increased 11.0% to S/. 379,641 thousand for 2009 from S/. 342,077 thousand for 2008 as a result of the increase in personnel salaries and bonuses.

- General expenses increased 7.9% to S/. 367,661 thousand for 2009 from S/. 340,701 thousand for 2008. This was a moderate increase due to the Bank's expenses control initiatives and investments reduction within a crisis environment.

- Depreciation and amortization decreased 41.0% to S/. 60,529 thousand for 2009 from S/. 42,937 thousand for 2008.

Other Income (Expense), Net

Other income (expense), net increased 121.6% to S/. 54,970 thousand in 2009 from S/. 24,805 thousand in 2008.

The following table sets forth the components of other income and expenses for the years ended December 31, 2009 and 2008:

	For the year ended December 31,		Percentage Change
	2009	**2008**	*(%)*
	(Nuevos Soles in thousands)		
Other income (expense), net	**(54,970)**	**(24,805)**	**121.6**
Provisions for accounts receivable	(50,880)	(17,571)	189.6
Recovery for assets seized and recovered through legal actions...	(2,970)	9,077	(132.7)
Provisions for contingent operations	(23,885)	(41,436)	(42.4)
Other provisions	(6,127)	(6,609)	(7.3)
Income from recovery of loan portfolio previously written-off	11,097	11,840	(6.3)
Other income (expense), net...	17,795	19,894	(10.6)

Income before Workers' Profit Sharing and Income Tax

Income before workers' profit sharing and income tax increased 27.5% to S/. 1,349,210 thousand in 2009 from S/. 1,058,491 thousand in 2008. This increase is a consequence of the good performance of all the margins of the income statement.

Workers' Profit Sharing

Workers' profit sharing increased 21.0% to S/. 52,384 thousand in 2009 from S/. 43,288 thousand in 2008. This increase resulted mainly from an increase in the income before workers' profit sharing and income tax.

Income Taxes

The Bank's income tax expense increased 27.0% to S/. 369,057 thousand in 2009 from S/. 290,703 thousand in 2008 due to the increase in operating income. 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 27.4% in 2009, compared to 27.5% in 2008.

Net Income

The Bank's net income increased 28.1% to S/. 927,769 thousand in 2009 from S/. 724,500 thousand in 2008. The main growth driver of this increase was the increase in intermediation activity related to higher profit-generating clients, combined with an efficient control of risks and costs.

Results of Operations for the Year Ended December 31, 2008 Compared to the Year Ended December 31, 2007

The following table shows the principal components of the Bank's net income for the years ended December 31, 2008 and 2007.

	For the year ended December 31,		Percentage Change
	2008	2007	(%)
	(Nuevos Soles in thousands)		
Financial income	2,521,101	1,963,545	28.4
Financial expenses	(905,480)	(735,554)	23.1
Gross financial margin	1,615,621	1,227,991	31.6
Provisions	(245,583)	(166,919)	47.1
Net financial margin	1,370,038	1,061,072	29.1
Income from financial services	438,973	384,463	14.2
Operating profit margin	1,809,011	1,445,535	25.1
Administrative expenses	(725,715)	(595,793)	21.8
Other income (expense), net	(24,805)	31,427	NM
Income before workers' profit sharing and income tax	1,058,491	881,169	20.1
Workers' profit sharing	(43,288)	(35,834)	20.8
Income tax	(290,703)	(253,354)	14.7
Net income	**724,500**	**591,981**	**22.4**

Net income in 2008 increased to S/. 724,500 thousand from S/. 591,981 thousand in 2007, an increase of S/. 132,519 thousand, or 22.4%. This increase is mainly due to a growth in financial income and income from financial services.

Gross Financial Margin

The following table sets forth the principal components of gross financial margin for the years ended December 31, 2008 and 2007:

	For the year ended December 31, 2008	For the year ended December 31, 2007	Percentage Change (%)
	(Nuevos Soles in thousands)		
Financial income	**2,521,101**	**1,963,545**	**28.4**
Interest on loans	1,922,577	1,468,005	31.0
Income from changes in fair value, revenue, interests and gain on sales of investment securities	221,983	217,225	2.2
Interest on cash and due from banks	71,559	97,367	(26.5)
Result on foreign exchange	278,405	94,965	193.2
Dividends and share profit from permanent investments	0	997	(100)
Exchange differences from derivative instruments	0	12,338	(100)
Interest and commissions on inter-bank funds	2,864	2,834	1.1
Income from derivative investments	0	65,218	(100)
Readjustment indexation	21,711	2,612	731.2
Other financial income	2,002	1,984	0.9
Financial expenses	**(905,480)**	**(735,554)**	**23.1**
Interest on deposits	(544,352)	(420,310)	29.5
Interest on due to banks and international financial organizations	(252,509)	(148,923)	69.6
Insurance deposit premiums fund	(22,831)	(19,254)	18.6
Loss from changes in fair value and purchase-sale of investments securities	0	(30,228)	(100)
Interest on outstanding securities, bonds and obligations	(49,901)	(31,222)	59.8
Loss from financial derivative instruments trading	(13,739)	(78,479)	(82.5)
Readjustment indexation	(15,628)	(2,334)	569.6
Other financial expenses	(6,520)	(4,804)	35.7
Gross financial margin	**1,615,621**	**1,227,991**	**31.6**

Gross financial margin increased 31.6%, from S/. 1,227,991 thousand in 2007 to S/. 1,615,621 thousand in 2008. These results are explained further below.

Financial Income

Financial income increased 28.4% to S/. 2,521,101 thousand in 2008, compared to S/. 1,963,545 thousand in 2007. This increase was mainly due to an increase in interest on loans and income from changes in fair value, revenue, interest and purchase-sale of investment securities.

Financial income on interest on loans increased 31.0% to S/. 1,922,577 thousand in 2008 from S/. 1,468,005 thousand in 2007, mainly due to an increase in performing loans portfolio (as defined by the SBS) of S/. 4,494,380 thousand during 2008.

The monthly average nominal interest rate earned on loans in 2008 was 10.5% compared to 10.0% in 2007. The monthly average nominal interest rate earned on Nuevo Sol-denominated loans in 2008 was 11.4% compared to 10.5% in 2007. The monthly average nominal interest rate earned on foreign currency-denominated loans in 2008 was 9.8% compared to 9.7% in 2007.

The loan portfolio monthly average balance was S/. 18,347,492 thousand in 2008, an increase of 25.4% compared to S/. 14,626,181 thousand in 2007.

The monthly average nominal interest rate earned on deposits with the Central Bank was 1.4% in 2008 compared to 2.9% in 2007. The monthly average balance of the deposit portfolio with the Central Bank was S/. 4,585,512 thousand in 2008, an increase of 66.6% from S/. 2,753,025 thousand in 2007.

Financial income from changes in fair value, revenue, interest and purchase-sale of investment securities increased 2.2% to S/. 221,983 thousand in 2008 from S/. 217,225 thousand in 2007.

Financial Expenses

Financial expenses increased 23.1% to S/. 905,480 thousand in 2008 from S/. 735,554 thousand in 2007. This increase was mainly due to an increase of 29.5% in interest on deposits, an increase of 69.6% in interest due to banks and international financial organizations, an increase of 18.6% in insurance deposit premiums fund and an increase of 59.8% in interest on outstanding securities, bonds and obligations.

Average interest rate paid on total interest-bearing liabilities was 3.3% in 2008 compared to 3.2% in 2007. The monthly average balance of total interest-bearing liabilities was S/. 25,623,795 thousand in 2008, an increase of 35.8% from S/. 18,870,700 thousand in 2007. This increase is mainly due to the increase on interest-bearing liabilities due to banks, bonds and other liabilities, which represented 45.4% of the variation.

Average interest rates paid on foreign currency-denominated interest-bearing liabilities in 2008 and in 2007 were 3.2% and 3.2%, respectively. The monthly average balance of foreign currency-denominated interest-bearing liabilities totaled S/. 15,544,849 thousand in 2008 and S/. 11,892,403 thousand in 2007. This increase is mainly due to an increase of S/. 2,235,648 thousand in interest-bearing liabilities due to banks, bonds and other liabilities and an increase of S/. 1,021,585 thousand in time deposits.

Average interest rates paid on Nuevo Sol-denominated interest-bearing liabilities were 3.5% in 2008 compared to 3.2% in 2007. The monthly average of Nuevo Sol-denominated interest-bearing liabilities totaled S/. 10,078,946 thousand in 2008, an increase of 44.4% from S/. 6,978,297 thousand in 2007. This increase is mainly due to an increase in interest-bearing liabilities due to banks, bonds and other liabilities and demand and time deposits.

Provisions

Provisions increased 47.1% to S/. 245,583 thousand for 2008 from S/. 166,919 thousand for 2007. This increase resulted mainly from the increase in the loan portfolio. In 2007 provisions included S/. 73 thousand for fluctuation of investments securities, whereas since 2008 these provisions are no longer included in this account.

The following table sets forth the changes in provisions for the years ended December 31, 2008 and 2007:

	For the year ended December 31,		**Percentage Change**
	2008	**2007**	*(%)*
	(Nuevos Soles in thousands)		
Provisions	**(245,583)**	**(166,919)**	**47.1**
Fluctuation of investments securities	0	73	(100.0)
Loans	(392,946)	(297,112)	32.3
Recovery of provisions for loan losses	147,363	130,120	13.3

Net Financial Margin

Net financial margin increased 29.1% to S/. 1,370,038 thousand for 2008 from S/. 1,061,072 thousand for 2007, mainly due to the factors discussed above.

Income from Financial Services, Net

Income from services, net increased 14.2% to S/. 438,973 thousand for 2008 from S/. 384,463 thousand for 2007.

The following table sets forth the components of income from financial services for the years ended December 31, 2008 and 2007:

	For the year ended December 31,		Percentage Change
	2008	2007	(%)
	(Nuevos Soles in thousands)		
Income from financial services, net	**438,973**	**384,463**	**14.2**
Income from contingent operations	82,458	60,646	36.0
Income from various financial services	356,515	323,817	10.1

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

- Income from contingent operations, net, increased 36.0% to S/. 82,458 thousand for 2008 from S/. 60,646 thousand for 2007. This increase was mainly due to the continued growth of guarantees and letters of credits for external trade.

- Income from various financial services increased 10.1% to S/. 356,515 thousand for 2008 from S/. 323,817 thousand for 2007 mainly as a result of the natural increase in the business which generates expenses related to commissions for renewal of credit and debit cards, maintenance on-demand and savings deposits, transfers, and others.

Administrative Expenses

Administrative expenses increased 21.8% to S/. 725,715 thousand in 2008 from S/. 595,793 thousand in 2007.

The following table sets forth the components of administrative expenses for the years ended December 31, 2008 and 2007:

	For the year ended December 31,		Percentage Change
	2008	2007	(%)
	(Nuevos Soles in thousands)		
Administrative expenses	(725,715)	(595,723)	21.8
Personnel and directors' expenses	(342,077)	(289,220)	18.3
General expenses	(340,701)	(257,503)	32.3
Depreciation and amortization	(42,937)	(49,070)	(12.5)

- Personnel and directors' expenses increased 18.3% to S/. 342,077 thousand for 2008 from S/. 289,220 thousand for 2007 as a result of the increase in personnel salaries and bonuses.

- General expenses increased 32.3% to S/. 340,701 thousand for 2008 from S/. 257,503 thousand for 2007 as a result of an expansion in investment, infrastructure and new projects.

- Depreciation and amortization decreased 12.5% to S/. 42,937 thousand for 2008 from S/. 49,070 thousand for 2007.

Other Income (Expense), Net

Other income (expense), net was S/. (24,805) thousand for 2008 and S/. 31,427 thousand for 2007, mainly resulting from an increase in provision for contingent operations.

The following table sets forth the components of other income and expenses for the years ended December 31, 2008 and 2007:

	For the year ended December 31,		Percentage Change
	2008	**2007**	*(%)*
	(Nuevos Soles in thousands)		
Other income (expense), net	**(24,805)**	**31,427**	**NM**
Provisions for accounts receivable	(17,571)	(12,268)	43.2
Recovery for assets seized and recovered through legal actions	9,077	12,113	(25.1)
Provisions for contingent operations	(41,436)	(17,865)	131.9
Other provisions	(6,609)	(6,854)	(3.6)
Income from recovery of loan portfolio previously written-off	11,840	10,156	16.6
Other income (expense), net	19,894	46,145	(56.9)

Income before Workers' Profit Sharing and Income Tax

Income before workers' profit sharing and income tax increased 20.1% to S/. 1,058,491 thousand for 2008 from S/. 881,169 thousand for 2007. This increase is a consequence of the good performance of all the margins of the income statement.

Workers' Profit Sharing

Workers' profit sharing increased 20.8% to S/. 43,288 thousand for 2008 from S/. 35,834 thousand for 2007. This increase resulted mainly from an increase in the income before workers' profit sharing and income tax.

Income Taxes

The Bank's income tax expense increased 14.7% to S/. 290,703 thousand for 2008 from S/. 253,354 thousand for 2007 due to the increase in operating income. 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 27.5% for 2008, compared to 28.80% for 2007.

Net Income

The Bank's net income increased 22.4% to S/. 724,500 thousand for 2008 from S/. 591,981 thousand for 2007. The main growth driver of this increase was the increase in intermediation activity related to higher profit-generating clients, combined with an efficient control of risks and costs.

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, 2010 and December 31, 2009, 2008 and 2007.

	As of June 30, 2010		As of December 31, 2009		As of December 31, 2008		As of December 31, 2007	
	Balance	% of total	Balance	% of total	Balance	% of total	Balance	% of total
	(*S/. thousands, except percentages*)							
Cash and due from banks	4,183,101	13.27	4,867,209	16.19	6,936,571	20.74	4,595,336	18.58
Interbank funds	0	0.00	49,003	0.16	27,505	0.08	120,016	0.49
Investments at fair value through profit and loss, Available-for- sale investments and held to maturity, net	4,243,627	13.46	3,923,508	13.05	4,250,339	12.71	2,812,292	11.37
Loans, net	21,753,645	69.01	19,797,656	65.87	20,568,445	61.50	16,227,660	65.62
Investments in associated, net	1,738	0.01	1,908	0.01	1,458	0.00	6,297	0.03
Property, furniture and equipment, net	389,347	1.24	388,674	1.29	353,281	1.06	290,660	1.18
Other assets	952,897	3.02	1,028,992	3.42	1,306,549	3.91	679,027	2.75
Total assets	**31,524,355**	**100.00**	**30,056,950**	**100.00**	**33,444,148**	**100.00**	**24,731,288**	**100.00**

Total Assets

The Bank had total assets of S/. 31,524,355 thousand as of June 30, 2010, compared to S/. 30,056,950 thousand as of December 31, 2009, representing an increase of 4.9%, mainly due to the increase of the loan portfolio.

As of December 31, 2009, the Bank had total assets of S/. 30,056,950 thousand, compared to S/. 33,444,148 thousand of December 31, 2008, representing a decrease of 10.1%. This decrease was mainly due to a decrease of 3.7% in the loan portfolio, which represented 65.9% of total assets.

As of December 31, 2008, the Bank had total assets of S/. 33,444,148 thousand, compared to S/. 24,731,288 thousand as of December 31, 2007, representing an increase of 35.2%. This increase was mainly due to a significant increase of 26.7% in the loan portfolio, which represented 61.5% of total assets.

Cash and due from Banks

Cash and due from banks consists of cash, deposits in the 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/. 4,183,101 thousand as of June 30, 2010, compared to S/. 4,867,209 thousand as of December 31, 2009, representing a decrease of 14.1%.

The Bank had cash and due from banks of S/. 4,867,209 thousand as of December 31, 2009, compared to S/. 6,936,571 thousand as of December 31, 2008, representing a decrease of 29.8%. This decrease was mainly the result of a 28.6% decrease in cash and deposits in the Central Bank and a decrease of 42.3% in deposits in local and foreign banks.

The Bank had cash and due from banks of S/. 6,936,571 thousand as of December 31, 2008, compared to S/. 4,595,336 thousand as of December 31, 2007, representing an increase of 50.9%. This increase was mainly the result of an increase on deposits on the Central Bank of Peru during 2008, related to legal reserves that banks in Peru are required to maintain as a guarantee for the deposits received from third parties, on the Central Bank.

Also, there was a change in the legal reserves' policy during 2008. The deposits in Peruvian Nuevos Soles were subject to a minimum cash reserve of 9% as of December 31, 2008, which increased from 6% as of December 31, 2007. During some months of 2008 there was also an additional cash reserve of up to 25%, deposited in the Central Bank bearing interest at an annual nominal rate of overnight deposits minus 100 basis points. The deposits in foreign currency are subject to a minimum cash reserve calculated on a total of obligations subject to reserve in the last years and an additional cash reserve. The minimum cash reserve does not generate interest. The additional cash reserve required in foreign currency, which represents up to 35% of the deposits since November 2008 (prior to

November 2008 the additional reserve requirement was 49%), deposited in the Central Bank bears interest at an annual nominal rate of LIBOR minus 7/8 percent.

Interbank Funds

The Bank had interbank funds of S/. 0 as of June 30, 2010, compared to S/. 49,003 thousand as of December 31, 2009. This decrease was the result of a different commercial strategy of the Bank's Treasury due to a change in the liquidity situation of the Peruvian financial system.

The Bank had interbank funds of S/. 49,003 thousand as of December 31, 2009, compared to S/. 27,505 thousand as of December 31, 2008, representing an increase of 78.2%. This increase was mainly the result of an increase of an interbank fund with HSBC of S/. 5,000 thousand, an increase of an interbank fund with Santander Peru of S/. 29,000 thousand and an increase of an interbank fund of S/. 15,000 thousand with Banco Ripley. This increase was partially offset by a decrease of an interbank fund with Citibank of S/. 1,000 thousand and with Scotiabank of S/. 26,500 thousand.

The Bank had interbank funds of S/. 27,505 thousand as of December 31, 2008, compared to S/. 120,016 thousand as of December 31, 2007, representing a decrease of 77%. This decrease was mainly the result of a decrease of an interbank fund with Banco de Crédito of S/. 120,000 thousand, an increase of an interbank fund with Scotiabank Peru of S/. 26,500 thousand and an increase of an interbank fund with Citibank of S/. 1,000 thousand.

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

Investments at fair value through profit and loss, available-for-sale investments and held to maturity investments, net, consist of repurchase agreements, bonds, BCRP certificates of deposits, participation in mutual funds, commercial papers, other investments and accrued interest, less provision from value of fluctuation of investments. The Bank had investments in securities of S/. 4,243,627 thousand as of June 30, 2010, compared to S/. 3,923,508 thousand as of December 31, 2009, representing an increase of 8.2%.

The Bank had investments in securities of S/. 3,923,508 thousand as of December 31, 2009, compared to S/. 4,250,339 thousand as of December 31, 2008, representing a decrease of 7.7%. This decrease was mainly the result of a decrease of S/. 2,907,755 thousand in repurchase agreements , and an increase of S/. 1,683,228 thousand in BCRP certificates of deposit.

The Bank had investments in securities of S/. 4,250,339 thousand as of December 31, 2008, compared to S/. 2,812,292 thousand as of December 31, 2007, representing an increase of 51.1%. This increase was mainly the result of an increase of S/. 2,907,755 thousand in repurchase agreements, and a decrease of S/. 1,651,464 thousand in BCRP certificates of deposit.

Total Gross Loans

The Bank had total gross loans of S/. 23,014,622 thousand as of June 30, 2010, compared to S/. 20,999,689 thousand as of December 31, 2009, representing an increase of 9.6%, mainly due to the increase in intermediation activity as a result of the pick-up in economic growth in the country.

The Bank had total gross loans of S/. 20,999,689 thousand as of December 31, 2009, compared to S/. 21,580,533 thousand as of December 31, 2008, representing a decrease of 2.7%. This decrease was mainly the result of a decrease of S/. 834,528 thousand in loans for foreign trade as a result of lower economic activity both in Peru and internationally.

The Bank had total gross loans of S/. 21,580,533 thousand of December 31, 2008, compared to S/. 16,993,856 thousand of December 31, 2007, representing an increase of 27.0%. This increase was mainly the result of an increase of S/. 1,370,827 thousand in loans, an increase of S/. 1,337,976 thousand in mortgages, and an increase of S/. 1,052,396 thousand in leasing.

Retail Loans

As of June 30, 2010, the Bank had retail loans of S/. 6,194,324 thousand compared to S/. 5,775,547 thousand as of December 31, 2009, representing an increase of 7.3%. This increase was mainly the result of an increase of S/. 407,439 thousand in mortgages.

As of December 31, 2009, the Bank had retail loans of S/. 5,775,547 thousand compared to S/. 5,571,272 thousand as of December 31, 2008, an increase of 3.7%. This increase was mainly the result of an increase of S/. 162,477 thousand in mortgages.

As of December 31, 2008, the Bank had retail loans of S/. 5,571,272 thousand compared to S/. 4,286,434 thousand as of December 31, 2007, an increase of 30.0%. This increase was mainly the result of an increase of S/. 1,337,976 thousand in mortgages.

Retail loans have grown consistently over the past three years, particularly mortgages loans, with an increase of 82.3% from December 31, 2007 to June 30, 2010. 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 has improved its processes to accelerate approvals and disbursements.

Commercial Loans

As of June 30, 2010, the Bank had commercial loans of S/. 16,220,557 thousand compared to S/. 14,724,072 thousand as of December 31, 2009, representing an increase of 10.2%.

As of December 31, 2009, the Bank had commercial loans of S/. 14,724,072 thousand compared to S/. 15,600,220 thousand as of December 31, 2008, a decrease of 5.6%. This decrease was mainly the result of a decrease of S/. 834,528 thousand in loans for foreign trade and a decrease of S/. 228,182 thousand in discounted notes.

As of December 31, 2008, the Bank had commercial loans of S/. 15,600,220 thousand compared to S/. 12,390,678 thousand as of December 31, 2007, an increase of 25.9%. This increase was mainly the result of an increase of S/. 177,070 thousand in discounted notes, an increase of S/. 1,052,396 thousand in leasing transactions, an increase of S/. 414,361 thousand in loans for foreign trade, and an increase of S/. 1,370,827 thousand in loans.

Non-Performing Loans

There has been an increase of non-performing loans due to the deterioration of the economy, as a result of the financial crisis. Despite this deterioration, the Bank believes that it maintains the best asset quality rates in the Peruvian banking system based on information published by the SBS.

Despite an absolute increase in the amount of non-performing loans to S/. 266,303 thousand as of June 30, 2010, compared to S/. 217,387 thousand as of December 31, 2009, the amount of non-performing loans over total gross loans remained stable at 1.16%.

The Bank had non-performing loans of S/. 217,387 thousand as of December 31, 2009, compared to S/. 252,255 thousand as of December 31, 2008, representing a decrease of 13.8% despite the deterioration of the economy. As a result, the quality of the portfolio increased, as the amount of non-performing loans over total gross loans was reduced to 1.04%.

The Bank had non-performing loans of S/. 252,255 thousand as of December 31, 2008, compared to S/. 182,146 thousand as of December 31, 2007, representing an increase of 38.5%. Despite an absolute increase in the amount of non-performing loans, the amount of non-performing loans over total gross loans remained low at 1.17%.

Provision for Loan Losses

The Bank had provision for loan losses of S/. 956,160 thousand as of June 30, 2010, compared to S/. 872,137 thousand as of December 31, 2009, representing an increase of 9.9%.

The Bank had provision for loan losses of S/. 872,137 thousand as of December 31, 2009, compared to S/. 767,371 thousand as of December 31, 2008, representing an increase of 13.7%. This increase was mainly the result of the increase of S/. 514,833 thousand in provisions due to the increase in the loan portfolio, and a decrease of S/. 171,545 thousand due to recovery of provisions for loans.

The Bank had provision for loan losses of S/. 767,371 thousand as of December 31, 2008, compared to S/. 567,659 thousand as of December 31, 2007, representing an increase of 35.2%. This increase was mainly the result of an increase of S/. 392,946 thousand in provisions for loans due to the increase of the loan portfolio.

Investments in Associates, Net

The Bank had investments in associated, net of S/. 1,738 thousand as of June 30, 2010, compared to S/. 1,908 thousand as of December 31, 2009, representing a decrease of 8.9%.

The Bank had investments in associated, net of S/. 1,908 thousand as of December 31, 2009, compared to S/. 1,458 thousand as of December 31, 2008, representing an increase of 30.9%.

The Bank had investments in associated, net of S/. 1,458 thousand as of December 31, 2008, compared to S/. 6,297 thousand as of December 31, 2007, representing a decrease of 76.8%.

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

Property, Furniture and Equipment, Net

The Bank had property, furniture and equipment, net of S/. 389,347 thousand as of June 30, 2010, compared to S/. 388,674 thousand as of December 31, 2009, representing an increase of 0.2%.

The Bank had property, furniture and equipment, net of S/. 388,674 thousand as of December 31, 2009, compared to S/. 353,281 thousand as of December 31, 2008, representing an increase of 10.0%. This increase was mainly the result of an increase of S/. 24,872 thousand on furniture and equipment, an increase of S/. 11,132 thousand on installations and improvements in leased property, an increase of S/. 10,624 thousand on work in progress and an increase of S/. 12,128 thousand on units to be received.

The Bank had property, furniture and equipment, net of S/. 353,281 thousand as of December 31, 2008, compared to S/. 290,660 thousand as of December 31, 2007, representing an increase of 21.5%. This increase was mainly the result of an increase of S/. 11,623 thousand on buildings and installations, an increase of S/. 8,440 thousand on installations and improvements on leased property, an increase of S/. 22,690 thousand on work in progress, and an increase of S/. 15,896 thousand on units to be received.

Other Assets

Other assets consist of financial instrument derivatives receivable, value added tax credit, deferred income tax and employees' profit share, prepaid and deferred expenses, other accounts receivable, operations in process, seized assets, net and other assets. The Bank had other assets of S/. 952,897 thousand as of June 30, 2010, compared to S/. 1,028,992 thousand as of December 31, 2009, representing a decrease of 7.4%.

The Bank had other assets of S/. 1,028,992 thousand as of December 31, 2009, compared to S/. 1,306,549 thousand as of December 31, 2008, representing a decrease of 21.2%. This decrease was mainly the result of a decrease of S/. 360,091 thousand on financial instrument derivatives receivable, a decrease of S/. 51,522 thousand on value added tax credit, and an increase of S/. 62,595 thousand on deferred income tax and employees' profit share.

The Bank had other assets of S/. 1,306,549 thousand as of December 31, 2008, compared to S/. 679,027 thousand as of December 31, 2007, representing an increase of 92.4%. This increase was mainly the result of the increase of S/. 545,148 thousand on financial instrument derivatives receivable.

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, 2010 and December 31, 2009, 2008 and 2007.

	As of June 30, 2010		As of December 31, 2009		As of December 31, 2008		As of December 31, 2007	
	Balance	**% of total**	**Balance**	**% of total**	**Balance**	**% of total**	**Balance**	**% of total**
	(*S/. thousands, except percentages*)							
Deposits and other obligations	22,509,791	71.40	21,513,690	71.58	20,915,871	62.54	17,227,967	69.66
Demand and savings deposits	12,928,774	41.01	11,771,753	39.16	9,742,981	29.13	7,772,652	31.43
Time deposits	8,882,387	28.18	8,930,136	29.71	10,616,051	31.74	8,745,607	35.36
Deposits from financial institutions	576,723	1.83	610,450	2.03	403,989	1.21	530,935	2.15
Other obligations	121,907	0.39	201,351	0.67	152,850	0.46	178,773	0.72
Interbank funds	55,267	0.18	635,201	2.11	146,082	0.44	-	0.00
Liabilities to banks and correspondents	3,270,509	10.37	2,126,994	7.08	6,986,737	20.89	4,141,871	16.75
Bonds and other outstanding obligations	1,751,907	5.56	1,772,926	5.90	1,843,473	5.51	778,165	3.15
Other liabilities	1,092,981	3.47	1,119,327	3.72	1,318,268	3.94	583,123	2.36
Total liabilities	**28,680,455**	**90.98**	**27,168,138**	**90.39**	**31,210,431**	**93.32**	**22,731,126**	**91.91**
Total shareholders' equity	**2,843,900**	**9.02**	**2,888,812**	**9.61**	**2,233,717**	**6.68**	**2,000,162**	**8.09**
Total liabilities and shareholders' equity	**31,524,355**	**100.00**	**30,056,950**	**100.00**	**33,444,148**	**100.00**	**24,731,288**	**100.00**

Total Liabilities

The Bank had total liabilities of S/. 28,680,455 thousand as of June 30, 2010, compared to S/. 27,168,138 thousand as of December 31, 2009, representing an increase of 5.6%.

The Bank had total liabilities of S/. 27,168,138 thousand as of December 31, 2009, compared to S/. 31,210,431 thousand as of December 31, 2008, representing a decrease of 13.0%. This decrease was mainly due to the decrease of S/. 4,859,743 thousand in liabilities to banks and correspondents.

The Bank had total liabilities of S/. 31,210,431 thousand as of December 31, 2008 compared to S/. 22,731,126 thousand as of December 31, 2007, representing an increase of 37.3%. This increase was mainly due to the increase of S/. 3,687,904 thousand on deposits and obligations and an increase of S/. 2,844,866 thousand on liabilities to banks and correspondents.

Deposits and Other Obligations

As of June 30, 2010, the Bank had total deposits of S/. 22,509,791 thousand compared to S/. 21,513,690 thousand as of December 31, 2009, representing an increase of 4.6%. This increase was mainly the result of an increase in demand and saving deposits of S/. 1,157,021 thousand.

As of December 31, 2009, the Bank had total deposits of S/. 21,513,690 thousand compared to S/. 20,915,871 thousand as of December 31, 2008, an increase of 2.9%. This increase was mainly the result of an increase of S/. 2,028,772 thousand in demand and saving deposits and a decrease of S/. 1,685,916 thousand in time deposits, explained mainly due to a flight to more liquid deposits by customers as a result of the global financial crisis.

As of December 31, 2008, the Bank had total deposits of S/. 20,915,871 thousand compared to S/. 17,227,967 thousand as of December 31, 2007, an increase of 21.4%. This increase was mainly the result of an increase of S/. 1,870,444 thousand in time deposits and an increase of S/. 1,970,329 thousand in demand deposits.

Demand and Saving Deposits

As of June 30, 2010, the Bank had demand and saving deposits of S/. 12,928,774 thousand compared to S/. 11,771,753 thousand as of December 31, 2009, representing an increase of 9.8%. This increase is mainly the result of an increase in demand deposits of S/. 1,120,308 thousand and in saving deposits of S/. 36,713 thousand.

As of December 31, 2009, the Bank had demand and saving deposits of S/. 11,771,753 thousand compared to S/. 9,742,981 thousand as of December 31, 2008, an increase of 20.8%. This increase is mainly the result of an increase of S/. 1,030,244 thousand in demand deposits and an increase of S/. 998,528 thousand in savings deposits.

As of December 31, 2008, the Bank had demand and saving deposits of S/. 9,742,981 thousand compared to S/. 7,772,652 thousand as of December 31, 2007, an increase of 25.3%. This increase was mainly the result of an increase of S/. 982,129 thousand in demand deposits and an increase of S/. 988,200 thousand in savings deposits.

Time Deposits

As of June 30, 2010, the Bank had time deposits of S/. 8,882,387 thousand compared to S/. 8,930,136 thousand as of December 31, 2009, representing a decrease of 0.5%.

As of December 31, 2009, the Bank had time deposits of S/. 8,930,136 thousand compared to S/. 10,616,051 thousand as of December 31, 2008, a decrease of 15.9%. This decrease was mainly the result of a decrease of S/. 1,703,655 thousand in time deposits in foreign currency, which represented 57.1% of the total.

As of December 31, 2008, the Bank had time deposits of S/. 10,616,051 thousand compared to S/. 8,745,607 thousand as of December 31, 2007, an increase of 21.4%. This increase was mainly the result of the increase of S/. 1,208,739 thousand in time deposits in Peruvian Nuevos Soles, which represented 35.9% of the total. As of December 31, 2007, time deposits in Peruvian Nuevos Soles represented 29.7% of the total.

Inter-Bank Funds

The Bank had inter-bank funds of S/. 55,267 thousand as of June 30, 2010, compared to S/. 635,201 thousand as of December 31, 2009, representing a decrease of 91.3%. This decrease was the result of a different commercial strategy of the Bank's Treasury due to a change in the liquidity situation of the Peruvian financial system.

The Bank had inter-bank funds of S/. 635,201 thousand as of December 31, 2009, compared to S/. 146,082 thousand as of December 31, 2008, an increase of 334.8%. This increase was mainly the result of an increase in funds received from Banco de Crédito (S/. 159,300 thousand), Banco de la Nación (S/. 144,500 thousand), and Citibank (S/. 72,250 thousand).

The Bank had inter-bank funds of S/. 146,082 thousand as of December 31, 2008, compared to S/. 0 as of December 31, 2007, an increase of 100%. This increase was mainly the result of an increase in funds received from Scotiabank Peru (S/. 62,000 thousand), Banco de Crédito (S/. 43,000 thousand), and Banco del Trabajo (now Crediscotia) (S/. 23,000 thousand).

Due to Banks and Correspondents

Due to banks and correspondents consist of REPOS agreements with the Central Bank, and agreements with the Corporación Financiera de Desarrollo ("COFIDE"), "Mi Vivienda—Mi Hogar" program, obligations with financial institutions from abroad, international financial organizations and interest payable. The Bank had liabilities to banks and correspondents of S/. 3,270,509 thousand as of June 30, 2010, compared to S/. 2,126,994 thousand as of December 31, 2009, representing an increase of 53.8%. This increase was mainly due to an increase of

S/. 365,874 thousand in short-term obligations with international financial organizations and a new loan of S/. 565,200 thousand related to a diversified payment rights transaction.

The Bank had liabilities to banks and correspondents of S/. 2,126,994 thousand as of December 31, 2009, compared to S/. 6,986,737 thousand as of December 31, 2008, a decrease of 69.6%. This decrease was mainly the result of a decrease of S/. 670,304 thousand with international financial organizations (comprised of a decrease of S/. 305,184 thousand with the International Finance Corporation, and a decrease of S/. 263,700 thousand with Corporación Andina de Fomento), a decrease of S/. 1,125,547 thousand with financial institutions from abroad (comprised of a decrease of S/. 345,400 thousand with BBVA New York, a decrease of S/. 157,000 thousand with Standard Chartered Bank and a decrease of S/. 109,900 thousand with Bank of America), and a decrease of S/. 2,842,450 thousand on REPOS agreements with the Central Bank. This decrease was mainly the result of a different liquidity situation of the Peruvian financial system. In 2008, tight liquidity in the Peruvian financial system obliged financial institutions to take on new short-term liabilities, most of which were cancelled in 2009.

The Bank had liabilities to banks and correspondents of S/. 6,986,737 thousand as of December 31, 2008, compared to S/. 4,141,871 thousand as of December 31, 2007, an increase of 68.7%. This increase was mainly the result of an increase of S/. 2,842,450 thousand on REPOS agreements with the Central Bank, and an increase of S/. 536,359 thousand with financial institutions from abroad.

Securities, Bonds and Outstanding Obligations

Securities, bonds and outstanding obligations consist of corporate bonds, subordinate bonds, leasing bonds, notes (debt instruments) and interest payable. As of June 30, 2010, the Bank had financial obligations of S/. 1,751,907 thousand compared to S/. 1,772,926 thousand of December 31, 2009, a decrease of 1.2%.

As of December 31, 2009, the Bank had financial obligations of S/. 1,772,926 thousand compared to S/. 1,843,473 thousand as of December 31, 2008, a decrease of 3.8%. This decrease was mainly the result of a decrease of S/. 137,400 thousand on corporate bonds compensated by an increase of S/. 142,250 thousand on leasing bonds.

As of December 31, 2008, the Bank had financial obligations of S/. 1,843,473 thousand compared to S/. 778,165 thousand as of December 31, 2007, an increase of 136.9%. This increase was mainly the result of an increase of S/. 785,000 thousand on the notes (debt instruments), an increase of S/. 204,411 thousand on subordinate bonds, and an increase of S/. 72,728 thousand on corporate bonds.

Other Liabilities

Other liabilities consist of financial instruments, derivatives payable, other provisions, accounts payable, provision for indirect loan losses, dividends and profit share payable, other accounts payable, operations in process, deferred income and other. As of June 30, 2010, the Bank had other liabilities of S/. 1,092,981 thousand compared to S/. 1,119,327 thousand of December 31, 2009, representing a decrease of 2.4%.

As of December 31, 2009, the Bank had other liabilities of S/. 1,119,327 thousand compared to S/ 1,318,268 thousand as of December 31, 2008, a decrease of 15.1%. The decrease was mainly the result of a decrease of S/. 398,769 thousand in financial instruments derivatives payable, and an increase of S/. 102,599 thousand in other provisions.

As of December 31, 2008, the Bank had other liabilities of S/. 1,318,268 thousand compared to S/. 583,123 thousand as of December 31, 2007, an increase of 126.1%. The increase was mainly the result of an increase of S/. 524,604 thousand in financial instruments derivatives payable, and an increase of S/. 122,454 thousand in accounts payable.

Shareholders' Equity

Shareholders' equity consists of capital stock, other reserve, legal reserve, retained earnings and net income. As of June 30, 2010, the Bank's shareholders' equity was S/. 2,843,900 thousand compared to S/. 2,888,812 thousand as of December 31, 2009, representing a decrease of 1.6%.

As of December 31, 2009, the Bank's shareholders' equity was S/. 2,888,812 thousand compared to S/. 2,233,717 thousand as of December 31, 2008, an increase of 29.3%. This increase was mainly the result of the increase of S/. 361,942 thousand in capital stock. Also, the Bank's net income for 2009 was S/. 927,769 thousand compared to net income of S/. 724,500 thousand for 2008.

As of December 31, 2008, the Bank's shareholders' equity was S/. 2,233,717 thousand, compared to S/. 2,000,162 thousand as of December 31, 2007, an increase of 11.7%. This increase was mainly the result of the capitalization of S/. 256,405 thousand. Also, the Bank's net income for 2008 was S/. 724,500 thousand compared to net income of S/. 591,981 thousand for 2007.

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 Audited 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/. 828,953 thousand as of June 30, 2010, S/. 576,993 thousand as of December 31, 2009, S/. 596,653 thousand as of December 31, 2008 and S/. 708,282 thousand as of December 31, 2007. Letters of credit increased in the first six months of 2010 due to a recovery on external trade, which had decreased in 2009 as a result of the 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, 2010 was 13.80%, while its credit risk ratio was 14.12%. Both solvency indicators are within regulatory limits and international standards for financial institutions with investment grade ratings.

	As of ,	
	June 2010	**December 2009**
	(Nuevos Soles in millions)	
Risk weighted assets (I)	**21,779**	**19,207**
Total regulatory capital (II)	3,230	2,755
Regulatory capital for credit risk (III)	3,076	2,613
Regulatory capital for market risk (IV)	77	69
Regulatory capital for operational risk (V)	77	73
Leveraging Ratios:		
Credit risk (III/I)	14.12%	13.61%
Capital adequacy ratio (II/ [I + K*(IV+V)])	13.80%	13.31%
Weighting factor (K)	10.5x	10.5x
Effective limit	9.5%	9.5%

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, there is 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 would be 9.5%, from July 1, 2010 until June 2011 the minimum capital ratio would be 9.8%, and from July 2011 onward the requirement will be 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 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 will count towards the calculation of the leverage ratio, from July 1, 2011 until June 2012, 98% of the risk-weighted assets 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. 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 will count 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 would be permitted to use internal models for determining the adequacy of loan reserves and economic capital together with a standard methodology.

Regulatory Capital Requirement for Credit Risk

SBS Resolution N° 14354 – 2009 became effective July 1, 2010, approving the regulatory 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 its regulatory capital requirement for credit risk using the standardized method or internal ratings-based ("IRB") methodology.

The IRB methodology sets up a gradual adaptation proposal for implementing a new scheme of calculating the regulatory capital requirement, as described below:

- Risk- weighted assets

Assets and contingent assets are appraised and assessed to determine the credit risk – weighted assets. The market and operational risk requirements are determined by calculating the regulatory capital and later converting it into risk-weighted assets.

	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 – 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%

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 companies; (viii) medium-size businesses; (ix) small businesses; (x) micro enterprise; (xi) revolving consumers; (xii) non–revolving consumers; and (xiii) home 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

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

E*	=	Value of the position following risk coverage
E	=	Present value of the position
He	=	Increase in position due to volatility
Hrcc	=	Increase for adjustments to foreign exchange credit risk
C	=	Present value of the collateral security received (includes adjustments for time period mismatches or gaps)
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

<table>
<tr><th>Type</th><th>Segment</th><th>Weight</th><th>Exceptions</th></tr>
<tr><td rowspan="8">Non Retail</td><td>Multilateral Bank</td><td rowspan="3">As a function of its External Rating</td><td></td></tr>
<tr><td>Financial System</td><td></td></tr>
<tr><td>Sovereign</td><td>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)</td></tr>
<tr><td>Public Sector</td><td>100%</td><td rowspan="5">If certain conditions are met a transfer mechanism can be applied that leads to the application of a weight factor of 20%</td></tr>
<tr><td>Securities</td><td>100%</td></tr>
<tr><td>Corporate</td><td>100%</td></tr>
<tr><td>Large Company</td><td>100%</td></tr>
<tr><td>Medium Sized Company</td><td>100%</td></tr>
<tr><td rowspan="5">Retail</td><td>Small Business</td><td>100%</td><td></td></tr>
<tr><td>Micro Enterprise</td><td>100%</td><td></td></tr>
<tr><td>Revolving Consumer</td><td>100%</td><td></td></tr>
<tr><td>Non Revolving Consumer</td><td>100%</td><td></td></tr>
<tr><td>Mortgage</td><td>50%</td><td>50% Covered portion / 100% Uncovered Portion
Coverage for MiVivienda (My Home): 20%</td></tr>
</table>

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%

SELECTED STATISTICAL INFORMATION

The following tables present certain selected statistical information and ratios for us 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, 2009, 2008 and 2007. As of December 31, 2009, Banco Continental's total assets represented 97.3% of the Bank's consolidated total assets before eliminations and Banco Continental's total liabilities represented 97.2% 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 Banco Continental prepared on an unconsolidated basis. Except as otherwise indicated, average balances, when used, have been classified by currency (Nuevos Soles or foreign currency (primarily 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 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, 2009, 2008 and 2007. 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, 2009 Average Balance	Interest Earned	Nominal Avg. Rate	Year ended December 31, 2008 Average Balance	Interest Earned	Nominal Avg. Rate	Y Averag Balanc
				(Nuevos Soles in thousands, except percentages)			
Interest-earning assets:							
Deposits in central bank							
Nuevos soles	54,279	93	0.17%	317,218	8,129	2.56%	28,6
Foreign currency	3,531,412	6,073	0.17%	4,268,294	56,767	1.33%	2,724,3
Total	**3,585,691**	**6,166**	**0.17%**	**4,585,512**	**64,896**	**1.42%**	**2,753,0**
Deposits in other banks							
Nuevos soles	39,432	561	1.42%	66,264	2,547	3.84%	71,3
Foreign currency	517,227	1,207	0.23%	340,314	6,921	2.03%	380,4
Total	**556,659**	**1,768**	**0.32%**	**406,578**	**9,468**	**2.33%**	**451,8**
Investment securities							
Nuevos soles	3,833,142	285,788	7.46%	3,517,013	218,595	6.22%	2,204,7
Foreign currency	959,813	61,478	6.41%	310,144	15,077	4.86%	293,8
Total	**4,792,955**	**347,266**	**7.25%**	**3,827,157**	**233,672**	**6.11%**	**2,498,5**
Total loans [2]							
Nuevos soles	10,187,210	1,175,399	11.54%	7,742,216	883,296	11.41%	5,650,0
Foreign currency	10,568,514	965,680	9.14%	10,605,276	1,036,342	9.77%	8,976,1
Total	**20,755,724**	**2,141,079**	**10.32%**	**18,347,492**	**1,919,638**	**10.46%**	**14,626,1**
Total interest-earning assets							
Nuevos soles	14,114,062	1,461,842	10.36%	11,642,711	1,112,567	9.56%	7,954,8
Foreign currency	15,576,965	1,034,438	6.64%	15,524,029	1,115,107	7.18%	12,374,8
Total	**29,691,027**	**2,496,280**	**8.41%**	**27,166,740**	**2,227,674**	**8.20%**	**20,329,6**
Non-interest earning assets:							
Cash and clearings							
Nuevos soles	563,984	0		440,569	0		342,7
Foreign currency	361,019	0		347,565	0		292,4
Total	**925,003**	**0**		**788,134**	**0**		**635,1**
Provision for loan losses							
Nuevos soles	(536,180)	0		(381,997)	0		(251,1
Foreign currency	(275,225)	0		(248,067)	0		(246,0
Total	**(811,405)**	**0**		**(630,064)**	**0**		**(497,1**
Premises and equipment							
Nuevos soles	346,454	0		296,748	0		276,5
Foreign currency	(0)	0		(0)	0		
Total	**346,454**	**0**		**296,748**	**0**		**276,5**
Other non-interest-earning assets							
Nuevos soles	953,060	0		1,061,752	0		458,4

Assets	Year ended December 31, 2009 Average Balance	Interest Earned	Nominal Avg. Rate	Year ended December 31, 2008 Average Balance	Interest Earned	Nominal Avg. Rate	Y Averag Balanc
				(Nuevos Soles in thousands, except percentages)			
Foreign currency	378,619	0		172,785	0		132,3
Total	**1,331,679**	**0**		**1,234,537**	**0**		**590,8**
Total non-interest-earning assets							
Nuevos soles	1,327,318	0		1,417,072	0		826,5
Foreign currency	464,414	0		272,283	0		178,7
Total	**1,791,732**	**0**		**1,689,355**	**0**		**1,005,3**
Total average assets							
Nuevos soles	15,441,380	1,461,842	9.47%	13,059,784	1,112,567	8.52%	8,781,3
Foreign currency	16,041,379	1,034,438	6.45%	15,796,312	1,115,107	7.06%	12,553,6
Total	**31,482,759**	**2,496,280**	**7.93%**	**28,856,096**	**2,227,674**	**7.72%**	**21,335,0**

(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 acco standards are excluded from this table.
(2) Figures for total loans include past-due loans, but do not include accrued but unpaid interest.

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

Liabilities	Year ended December 31, 2009 Average Balance	Interest Earned	Nominal Avg. Rate	Year ended December 31, 2008 Average Balance	Interest Earned	Nominal Avg. Rate	Y Avera Balanc
				(Nuevos soles in thousands, except percentages)			
Interest-bearing liabilities:							
Demand deposits							
Nuevos soles	2,990,907	25,171	0.84%	2,736,886	32,183	1.18%	1,893,3
Foreign currency	2,763,202	4,474	0.16%	2,331,303	6,717	0.29%	2,043,8
Total	**5,754,109**	**29,645**	**0.52%**	**5,068,189**	**38,900**	**0.77%**	**3,937,1**
Savings deposits							
Nuevos soles	2,257,670	39,677	1.76%	2,005,857	39,045	1.95%	1,448,1
Foreign currency	2,182,407	15,103	0.69%	1,652,800	14,404	0.87%	1,545,0
Total	**4,440,077**	**54,780**	**1.23%**	**3,658,657**	**53,449**	**1.46%**	**2,993,2**
Time deposits							
Nuevos soles	4,659,033	174,195	3.74%	3,650,080	185,440	5.08%	2,779,5
Foreign currency	6,206,754	113,200	1.82%	6,391,296	239,491	3.75%	5,369,7
Total	**10,865,787**	**287,395**	**2.64%**	**10,041,376**	**424,931**	**4.23%**	**8,149,2**
Due to banks, bonds and other liabilities							
Nuevos soles	2,225,838	111,544	5.01%	1,686,123	93,021	5.52%	857,2
Foreign currency	4,342,233	156,562	3.61%	5,169,450	240,422	4.65%	2,933,8
Total	**6,568,071**	**268,106**	**4.08%**	**6,855,573**	**333,443**	**4.86%**	**3,791,0**
Total interest-bearing liabilities							
Nuevos soles	12,133,448	350,587	2.89%	10,078,946	349,689	3.47%	6,978,2
Foreign currency	15,494,596	289,339	1.87%	15,544,849	501,035	3.22%	11,892,4
Total	**27,628,044**	**639,926**	**2.32%**	**25,623,795**	**850,724**	**3.32%**	**18,870,7**
Non-interest bearing liabilities and shareholders' equity:							
Other liabilities							
Nuevos soles	925,479	0		922,856	0		563,8
Foreign currency	391,160	0		309,902	0		166,2
Total	**1,316,639**	**0**		**1,232,758**	**0**		**730,0**
Shareholders' equity							
Nuevos soles	2,523,825	0		2,003,985	0		1,734,3
Foreign currency	14,251	0		(4,442)	0		(
Total	**2,538,076**	**0**		**1,999,543**	**0**		**1,734,2**

Liabilities	Year ended December 31, 2009			Year ended December 31, 2008			Y
	Average Balance	Interest Earned	Nominal Avg. Rate	Average Balance	Interest Earned	Nominal Avg. Rate	Avera Balan
				(Nuevos soles in thousands, except percentages)			
Total non-interest-bearing liabilities and shareholders' equity							
Nuevos soles	3,449,303	0		2,926,841	0		2,298,1
Foreign currency	405,412	0		305,460	0		166,1
Total	**3,854,715**	**0**		**3,232,301**	**0**		**2,464,3**
Total average liabilities and shareholders' equity							
Nuevos soles	15,582,752	350,587	2.25%	13,005,787	349,689	2.69%	9,276,4
Foreign currency	15,900,007	289,339	1.82%	15,850,308	501,035	3.16%	12,058,5
Total	**31,482,759**	**639,926**	**2.03%**	**28,856,095**	**850,724**	**2.95%**	**21,335,0**
Additional information							
Total Deposits							
Nuevos soles	9,907,610	239,043	2.41%	8,392,823	256,668	3.06%	6,121,0
Foreign currency	11,152,363	132,777	1.19%	10,375,399	260,613	2.51%	8,958,6
Total	**21,059,973**	**371,820**	**1.77%**	**18,768,222**	**517,281**	**2.76%**	**15,079,6**
Interest margin							
Nuevos soles	14,114,062	1,111,254	7.87%	11,642,711	762,878	6.55%	7,954,8
Foreign currency	15,576,965	745,099	4.78%	15,524,029	614,072	3.96%	12,374,8
Total	**29,691,027**	**1,856,353**	**6.25%**	**27,166,740**	**1,376,950**	**5.07%**	**20,329,6**

[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 acco
standards are excluded from this table.

Net Interest Income and Expense: Volume and Rate Analysis

	2009 / 2008			2008 / 2007		
	Increase (Decrease) due to changes in			Increase (Decrease) due to changes in		
	Volume	Rate	Net Change	Volume	Rate	Net Change
	(Nuevos soles in thousands, except percentages)					
Interest income						
Deposits in central bank						
Nuevos soles	(453)	(7,583)	(8,036)	7,394	622	8,016
Foreign currency	(1,267)	(49,427)	(50,694)	20,534	(43,440)	(22,906)
Total	**(1,720)**	**(57,010)**	**(58,730)**	**27,928**	**(42,818)**	**(14,890)**
Deposits in other banks						
Nuevos soles	(382)	(1,603)	(1,985)	(196)	444	248
Foreign currency	413	(6,127)	(5,714)	(817)	(10,378)	(11,195)
Total	**31**	**(7,730)**	**(7,699)**	**(1,013)**	**(9,934)**	**(10,947)**
Investment securities						
Nuevos soles	23,571	43,622	67,193	81,564	(4,222)	77,342
Foreign currency	41,613	4,788	46,401	792	(2,922)	(2,130)
Total	**65,184**	**48,410**	**113,594**	**82,356**	**(7,144)**	**75,212**
Total loans						
Nuevos soles	282,103	10,000	292,103	238,691	50,592	289,283
Foreign currency	(3,359)	(67,302)	(70,661)	159,200	4,680	163,880
Total	**278,744**	**(57,302)**	**221,442**	**397,891**	**55,272**	**453,163**
Total interest-earning assets						
Nuevos soles	255,967	93,308	349,275	352,414	22,476	374,890
Foreign currency	3,516	(84,184)	(80,668)	226,210	(98,562)	127,648
Total	**259,483**	**9,124**	**268,607**	**578,624**	**(76,086)**	**502,538**
Interest expense						
Demand deposits						
Nuevos soles	2,138	(9,149)	(7,011)	9,920	1,617	11,537
Foreign currency	700	(2,943)	(2,243)	829	(667)	162
Total	**2,838**	**(12,092)**	**(9,254)**	**10,749**	**950**	**11,699**
Savings deposits						
Nuevos soles	4,425	(3,794)	631	10,856	1,929	12,785
Foreign currency	3,665	(2,966)	699	939	(662)	277
Total	**8,090**	**(6,760)**	**1,330**	**11,795**	**1,267**	**13,062**
Time deposits						
Nuevos soles	37,723	(48,968)	(11,245)	44,227	6,773	51,000
Foreign currency	(3,366)	(122,926)	(126,292)	38,280	(2,336)	35,944
Total	**34,357**	**(171,894)**	**(137,537)**	**82,507**	**4,437**	**86,944**
Due to banks and bonds						
Nuevos soles	27,047	(8,524)	18,523	45,727	2,378	48,105
Foreign currency	(29,826)	(54,034)	(83,860)	103,976	(17,773)	86,203
Total	**(2,779)**	**(62,558)**	**(65,337)**	**149,703**	**(15,395)**	**134,308**
Total interest-bearing liabilities						
Nuevos soles	59,363	(58,465)	898	107,577	15,850	123,427
Foreign currency	(939)	(210,757)	(211,696)	117,724	4,863	122,587
Total	**58,424**	**(269,222)**	**(210,798)**	**225,301**	**20,713**	**246,014**

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 Banco Continental on an unconsolidated basis, all on a nominal basis.

	For the year ended December 31,		
	2009	2008	2007
	(Nuevos soles in thousands, except percentages)		
Average interest-earning assets			
Nuevos soles	14,114,062	11,642,711	7,954,802
Foreign currency	15,576,965	15,524,029	12,374,827
Total	**29,691,027**	**27,166,740**	**20,329,629**
Net interest income			
Nuevos soles	1,111,254	762,878	511,416
Foreign currency	745,099	614,072	609,010
Total	**1,856,353**	**1,376,950**	**1,120,426**
Gross yield [2]			
Nuevos soles	10.36%	9.56%	9.27%
Foreign currency	6.64%	7.18%	7.98%
Weighted-average rate	8.41%	8.20%	8.49%
Net interest margin [3]			
Nuevos soles	7.87%	6.55%	6.43%
Foreign currency	4.78%	3.96%	4.92%
Weighted-average rate	6.25%	5.07%	5.51%
Yield spread [4]			
Nuevos soles	7.47%	6.09%	6.03%
Foreign currency	4.77%	3.96%	4.80%
Weighted-average rate	6.09%	4.88%	5.29%

(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,		
	2009	**2008**	**2007**
	(Nuevos soles in thousands)		
Nuevo Sol-denominated			
Central bank	250,732	167,785	5,137
Commercial banks	19,396	12,477	18,561
Total nuevo sol-denominated	**270,128**	**180,262**	**23,698**
Foreign currency-denominated			
Central bank	3,342,043	5,240,357	3,628,442
Commercial banks	313,103	563,621	191,193
Total foreign currency-denominated	**3,655,146**	**5,803,978**	**3,819,635**
Total	**3,925,274**	**5,984,240**	**3,843,333**

Investment Portfolio

The following table shows the value of the Bank's trading and available-for-sale investment securities by type at the lower of cost or market value for the years 2007 and 2008. In accordance with amendments introduced by the SBS through Resolution SBS N° 10639-2008, trading and available-for-sale investment as of December 31, 2009 are shown at fair value. According to Peruvian GAAP, this change was accounted prospectively. Held to maturity investments are shown at amortized cost using the effective interest method for all years:

	As of December 31,		
	2009	**2008**	**2007**
	(Nuevos soles in thousands)		
Certificates of deposits of Central Bank	2,022,131	338,903	1,991,330
Repurchase agreement		2,907,755	
Bonds			
Peruvian treasury	1,364,571	736,819	605,622
Peru global treasury	471,053	189,618	92,643
Securitized	10,032	14,693	38,679
Euro notes	-	15,762	15,231
Corporate	8,789	8,097	8,256
Chile global	-	-	9,081
Mutual funds	23,910	18,269	50,746
Commercial paper	-	-	21
Other investments	23,022	20,423	683
Total	**3,923,508**	**4,250,339**	**2,812,292**

The weighted-average yield on the Bank's Nuevo Sol-denominated interest and dividend-earning investment portfolio was 6.41% in 2007, 6.22% in 2008 and 7.46% in 2009. The weighted average yield on the Bank's foreign currency-denominated portfolio was 5.86% in 2007, 4.86% in 2008, and 6.41% in 2009. The total weighted-average yield of the Bank's portfolio was 6.34% in 2007, 6.11% in 2008 and 7.25% in 2009.

The following table shows the maturities of the Bank's investment securities by type as of December 31, 2009:

	Within 1 year	**After 1 year but within 5 years**	**After 5 years but within 10 years**	**After 10 years**	**Total**
	(Nuevos soles in thousands)				
Corporate bonds	131	8,658	0	0	8,789
Peru global treasury bonds	38,397	158,938	250,453	23,265	471,053
Peruvian treasury bonds	96,780	409,718	412,434	445,639	1,364,571
Securitized bonds	1,450	8,582	0	0	10,032
Certificates of deposits of Central Bank	2,022,131	0	0	0	2,022,131
Other investments	3,178	100	0	19,744	23,022
Mutual funds	23,910	0	0	0	23,910
Total	**2,185,977**	**585,996**	**662,887**	**488,648**	**3,923,508**

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,		
	2009	**2008**	**2007**
	(Nuevos soles in thousands)		
Direct credits			
Loans	11,786,363	12,336,832	10,547,019
Residential mortgage loans	3,819,087	3,656,610	2,318,634
Leasing transactions	3,524,291	3,576,702	2,524,306
Discounted notes	712,859	941,041	763,971
Credit cards	626,775	650,156	516,183
Factoring transactions	30,244	10,151	6,999
Refinanced and restructured loans	282,683	156,786	134,599
Past due loans and accounts in legal collection	217,387	252,255	182,145
Total gross loans	**20,999,689**	**21,580,533**	**16,993,856**
Past due loans and accounts in legal collection	(217,387)	(252,255)	(182,145)
Total performing loans	**20,782,302**	**21,328,278**	**16,811,711**
Performing loans as a percentage of total gross loans	98.9%	98.8%	98.9%

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 and Credit Cards

Loans and credit cards include basic term loans documented by promissory notes and other extensions of credit, such as mortgage loans, credit cards and other consumer loans in various forms, including trade finance loans to importers and exporters on specialized terms adapted to the needs of the international trade transaction.

Discounted Notes

Discounted notes are loans discounted at origination (the client signs a promissory note or other evidence of indebtedness for the principal amount payable at a future date). 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.

Leasing Transactions

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

Factoring Transactions

Factoring transactions involve the sale of title of a company's accounts receivables to a bank or other financial institution. The receivables are sold without recourse, and the bank cannot collect from the seller in the event accounts prove uncollectible. Factoring involves the receipt of funds by the seller from the bank prior to the average maturity date, based upon the invoice amount of the receivable, less cash discounts, less a provision for estimated claims and returns, among other items.

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 the 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,					
	2009		2008		2007	
	(Nuevos soles in thousands, except percentages)					
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Mortgages and consumer loan credits	5,907,888	28%	5,688,993	26%	4,388,966	26%
Manufacturing	4,011,779	19%	4,646,483	22%	4,288,263	25%
Commerce	3,323,714	16%	3,580,507	17%	2,802,792	16%
Communications, storage and transport	1,666,020	8%	1,784,666	8%	1,104,813	6%
Real estate	1,300,817	6%	1,293,864	6%	851,690	5%
Electricity, gas and water	740,298	4%	722,082	3%	642,392	4%
Mining	643,093	3%	704,759	3%	673,899	4%
Financial services	620,654	3%	352,994	2%	171,285	1%
Agriculture	557,667	3%	600,586	3%	387,539	2%
Construction	502,596	2%	574,141	3%	347,696	2%
Hotels and restaurants	456,199	2%	295,810	1%	251,209	1%
Education	337,750	2%	294,752	1%	185,594	1%
Other community service activities	262,604	1%	272,046	1%	265,331	2%
Fishing	213,666	1%	261,092	1%	259,012	2%
Public administration and defense	213,446	1%	267,010	1%	184,628	1%
Social services and health	124,053	1%	124,809	1%	96,964	1%
Others	117,445	1%	115,939	1%	91,783	1%
Total gross loans	**20,999,689**	**100.0%**	**21,580,533**	**100.0%**	**16,993,856**	**100.0%**

Concentrations of Loan Portfolio and Lending Limits

The Bank's loans and other contingent credits to the 20 customers (considered as economic groups) to which the Bank had the largest exposure as of December 31, 2009 were S/. 1,437.5 million (US$ 497.4 million), representing 6.85% of the total loan portfolio. See "Supervision and Regulation—Banking Supervision and Regulation—Lending to Related Parties" for the definition of economic group in accordance with SBS regulations. Total loans and other contingent credits outstanding and available to these customers ranged from S/. 30.0 million (US$ 10.4 million) to S/. 221.5 million (US$ 76.7 million), including seven customers with over S/. 80.5 million (US$ 27.9 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, 2009: Class A (Performing)—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 us 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 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 Banco Continental.

With an unconsolidated regulatory capital of S/. 2,755.2 million (US$ 953.3 million) as of December 31, 2009, the Bank's lending capacity per borrower varies from S/. 275.5 million (US$ 95.3 million) to S/. 826.6 million (US$ 286.0 million) depending on the type of borrower as specified above. As of December 31, 2009, 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 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,					
	2009		2008		2007	
	(Nuevos soles in thousands, except percentages)					
Total loan portfolio	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Nuevo Sol-denominated	10,708,866	51.0%	9,748,611	45.2%	6,624,522	39.0%
Foreign currency-denominated	10,290,823	49.0%	11,831,922	54.8%	10,369,334	61.0%
Total gross loans	**20,999,689**	**100.0%**	**21,580,533**	**100.0%**	**16,993,856**	**100.0%**

Loans by Maturity

The following table sets forth an analysis of the Bank's performing loan portfolio as of December 31, 2009, 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	12,540,501	2,768,260	2,552,661	1,436,708	1,205,596	3,941,677	635,599
Residential mortgage loans ...	3,819,087	26,004	45,502	57,786	140,552	1,155,864	2,393,379
Leasing transactions	3,524,291	112,705	407,713	99,041	776,386	1,981,832	146,614
Credit cards...........................	626,775	-	132,146	164,876	329,753	-	-
Refinanced loans	271,648	16,526	19,929	11,718	41,012	150,577	31,886
	20,782,302	2,923,495	3,157,951	1,770,129	2,493,299	7,229,950	3,207,478
Past due loans	217,387						
Total gross loans	**20,999,689**						

Loans by Asset Quality

The Bank classifies its loan portfolio in accordance with SBS regulations. In accordance with SBS Resolution No. 808-2003 and its amendments, which was in effect until June 30, 2010, banks should have classified all loans and other credits into one of four categories based upon the purpose of the loan; these categories are commercial, micro- and small business, consumer and residential mortgage loans.

Commercial loans are generally those that finance the production and sale of goods and services, including commercial leases, as well as credit card debt on cards held by business entities.

Micro and small business loans, which include only loans issued to finance the production and sale of goods and services, are made to individuals or companies with a maximum aggregate of approximately US$ 30,000 in total loans received from the financial system.

Consumer loans are generally loans granted to individuals, including credit card transactions, overdrafts on personal demand deposit accounts, leases and financings of goods or services not related to a business activity.

Residential mortgage loans are all loans to individuals for the purchase, construction, remodeling, subdivision or improvement of the individual's own home, in each case backed by a mortgage lien. Mortgage-backed loans other than residential mortgage loans are considered commercial loans.

Regulations promulgated by the SBS also require Peruvian banks to classify all debtors into one of five categories (Normal, Potential Problem, Substandard, Doubtful, 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 loan loss provision based on a percentage that depends on the loan's category (commercial, micro and small business, consumer loans, residential mortgages) of the bank's loan and credit portfolio.

In general, loan loss provision depends of the following variables: debt, classification and collaterals.

For debtors classified as Normal there are two components to determine the required loan loss provision, known as the "generic provision." The first component of the loan loss provision 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. The second component of the generic provision has been temporarily suspended starting in September 2009. Both components are shown in the following table:

Loans by category	First component	Second component
Commercial loans	0.70%	0.45%
Commercial loans secured with "self-liquidating preferred assets"	0.70%	0.30%
Micro and small business loans	1.00%	0.50%
Non revolving consumer loans	1.00%	1.00%
Non revolving consumer loans under eligible agreements	1.00%	0.30%
Revolving consumer loans	1.00%	1.50%
Residential mortgages loans	0.70%	0.40%
Residential mortgages loans with "self-liquidating preferred assets"	0.70%	0.30%

Under current regulations, collateral is not subtracted from the amount of the loan or credit outstanding to determine the amount of the related provision. Instead, a lower loan provision is allowed to be made on the portion of the loan or credit that is secured. For the purpose of determining the amount of the required provision, collateral is valued in accordance with SBS regulations, which requires an appraisal of its expected market value. Only assets classified as (i) "preferred," (ii) "highly liquid preferred" or (iii) "self-liquidating preferred" are acceptable as collateral. Such collateral must, according to 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.

SBS regulations require the following specific provisions for commercial, micro and small business and residential mortgage loans:

Level or Risk Classification	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

Loans or credits, or the portions thereof secured with "self-liquidating preferred" collateral, require at least a 1% provision. When the collateral is insufficient to secure the outstanding balances, the higher percentage requirements are applicable on the unsecured portion of the loans or credits.

Loan Risk Categories

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

Normal (Class A)

Debtors of commercial loans or credits that fall into this category have complied in a timely manner with their obligations and at the time of evaluation of the credit there is no reason to doubt that interest and principal on the loan will be paid in a timely fashion or that the status will change before the next evaluation.

Commercial debtors must present an adequate financial situation in terms of high levels of liquidity and solvency, and their cash flow must not show a negative change due to a change in their own variables or variables related to the economic sector in which they operate.

Micro and small business and consumer debtors are classified as Normal if payments are current or up to eight days past due.

Residential mortgage debtors are classified as Normal if payments on their loans are current or up to 30 days past due.

Potential Problem (Class B)

Commercial debtors included in this category are those at the time of evaluation demonstrate certain deficiencies, which, if not corrected in a timely manner, imply risks with respect to the recovery of the loan. Certain common characteristics of loans or credits in this category include: infrequent delays in loan payments that are promptly cured (that do not exceed 60 days), lack of information required to analyze the credit, outdated financial information, temporary economic or financial imbalances on the part of the debtor that could affect its ability to repay the loan and market conditions that could affect the economic sector in which the debtor operates.

Micro and small business and consumer debtors are classified as Potential Problem if payments on their loans are between nine and 30 days late.

Residential mortgage debtors are classified as Potential Problem if payments on their loans are between 31 and 90 days late.

Substandard (Class C)

Debtors of commercial loans or credits whose loans or credits are placed in this category demonstrate serious financial weakness, often with operating profits or available income insufficient to cover financial obligations on agreed upon terms, with no reasonable short-term prospects for a strengthening of the debtor's financial capacity. Additionally, commercial loans are classified in this category when payments are between 60 and 120 days late.

Micro and small business and consumer debtors are classified as Substandard if payments on their loans are between 31 and 60 days late.

Residential mortgage debtors are classified as Substandard if payments on their loans are between 91 and 120 days late.

Doubtful (Class D)

Debtors of commercial loans or credits included in this classification present characteristics of credit risk that make doubtful the recovery of the loan. Although the loan recovery is doubtful, if there is a reasonable possibility that in the near future the creditworthiness of the debtor might improve, a Doubtful categorization is appropriate. These debtors are distinguished from Loss classification by the requirement that the debtor remain in operation even though it does not generate enough cash flow to cover capital and interest.

Additionally, commercial debtors are classified in this category when payments are between 121 and 365 days late.

Micro and small business and consumer debtors are classified as Doubtful if payments on their loans are between 61 and 120 days late.

Residential mortgage debtors are classified as Doubtful if payments on their loans are between 121 and 365 days late.

Loss (Class E)

Debtors of commercial loans or credits, are categorized as Loss when their loans are considered unrecoverable, the cash flow of the debtor is insufficient to cover its cost of sales or cost of production, the debtor is not paying its obligations and the debtor is insolvent. Additionally, commercial loans are classified in this category when payments are more than 365 days late.

Micro and small business and consumer debtors are classified as Loss if payments on their loans are more than 120 days late.

Residential mortgage debtors are classified as Loss if payments on their loans are more than 365 days late.

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

	As of December 31,					
	2009		2008		2007	
	(Nuevos soles in thousands, except percentages)					
Level or risk classification	**Amount[(1)]**	**%**	**Amount[(1)]**	**%**	**Amount[(1)]**	**%**
A: Normal	19,041,912	92.8%	19,657,163	93.1%	15,827,219	95.0%
B: Potential problem	785,999	3.8%	942,503	4.5%	412,405	2.5%
C: Substandard	286,734	1.4%	188,212	0.9%	138,574	0.8%

Level or risk classification	As of December 31, 2009 Amount[(1)]	%	2008 Amount[(1)]	%	2007 Amount[(1)]	%
	(Nuevos soles in thousands, except percentages)					
D: Doubtful	269,250	1.3%	177,755	0.8%	134,706	0.8%
E: Loss	141,167	0.7%	157,311	0.7%	143,915	0.9%
Total loans	20,525,062	100.0%	21,122,944	100.0%	16,656,819	100.0%
C+D+E	697,151	2.5%	523,278	2.5%	417,195	2.5%

(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. The Bank considers loans past due after no more than 15 days late, except for consumer mortgage and leasing loans, and loans to micro- and small businesses, which are considered past due after 30 days. Beginning January 1, 2001, the SBS issued accounting rules requiring Peruvian banks to consider overdrafts past due after 30 days. 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, 2009	2008	2007
	(Nuevos soles in thousands)		
Current	20,782,302	21,328,278	16,811,711
Past-due 16-119 days	42,039	43,269	20,849
Past-due 120 days or more	175,348	208,986	161,296
Total past-due loans	**217,387**	**252,255**	**182,145**
Total gross loans	**20,999,689**	**21,580,533**	**16,993,856**
Past-due loans as a percentage of total gross loans	1.04%	1.17%	1.07%

In accordance with SBS regulations, the Bank classifies as past due only the amount of the past-due installments on any consumer, mortgage and leasing credit, provided that no amount of such credit is past due for over 90 days. The entire amount of these loans will be considered past due if any amount is past due more than 90 days.

Past-due Loan Portfolio

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

	As of December 31, 2009	2008	2007
	(Nuevos soles in thousands)		
Loans	109,613	128,590	85,179
Residential mortgage loans	24,942	21,246	18,039
Leasing transactions	5,791	3,048	1,005
Discounted notes	11,720	14,814	9,534
Credit cards	26,217	39,750	26,228
Refinanced and restructured loans	39,104	44,807	42,160
	217,387	**252,255**	**182,145**

Provision:			
Specific provision	339,755	299,875	237,392
Not specifically identified provision	532,382	467,496	330,267
Total provision for loan losses	872,137	767,371	567,659
Total past-due portfolio net of total provisions	**(654,750)**	**(515,116)**	**(385,514)**

Provision for Loan Losses

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

	As of December 31,		
	2009	**2008**	**2007**
	(Nuevos soles in thousands)		
Provision for loan losses at beginning of the period	**767,371**	**567,659**	**443,274**
Provision	514,833	392,946	297,112
Recoveries and reversals	(171,545)	(130,100)	(122,698)
Write-offs	(31,637)	(8,619)	(24,016)
Sale of portfolio	(185,674)	(66,827)	(13,730)
Exchange difference and other adjustments	(21,211)	12,312	(12,283)
Provision for loan losses at the end of the period	**872,137**	**767,371**	**567,659**

Allocation of Provision for Loan Losses

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

	As of December 31,		
	2009	**2008**	**2007**
	(Nuevos soles in thousands)		
Commercial loans	539,782	457,451	410,679
Micro and small business loans	1,991	2,995	4,094
Consumer loans	236,911	226,717	98,556
Residential mortgage loans	93,453	80,209	54,330
Total	**872,137**	**767,372**	**567,659**

Deposits

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

	As of December 31,		
	2009	**2008**	**2007**
	(Nuevos Soles in thousands)		
Demand deposits			
Nuevo Sol-denominated	3,582,242	2,731,160	2,393,157
Foreign currency-denominated	2,991,525	2,812,363	2,168,238
Total	**6,573,767**	**5,543,523**	**4,561,394**
Savings deposits			
Nuevo Sol-denominated	2,764,620	2,182,924	1,591,333
Foreign currency-denominated	2,433,366	2,016,534	1,619,925
Total	**5,197,986**	**4,199,458**	**3,211,258**
Time deposits			
Nuevo Sol-denominated	3,828,587	3,810,738	2,589,039
Foreign currency-denominated	5,101,549	6,805,313	6,156,568
Total	**8,930,136**	**10,616,051**	**8,745,607**

	As of December 31,		
	2009	2008	2007
	(Nuevos Soles in thousands)		
Deposits from financial institutions			
Nuevo Sol-denominated	323,227	144,887	336,325
Foreign currency-denominated	287,223	259,102	194,610
Total	**610,450**	**403,989**	**530,935**
Other obligations			
Nuevo Sol-denominated	181,293	116,375	154,439
Foreign currency-denominated	20,058	36,475	24,334
Total	**201,351**	**152,850**	**178,773**
Total deposits:			
Nuevo Sol-denominated	10,679,969	8,986,084	7,064,293
Foreign currency-denominated	10,833,721	11,929,787	10,163,675
Total	**21,513,690**	**20,915,871**	**17,227,967**

Return on Equity and Assets

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

	As of December, 31		
	2009	**2008**	**2007**
Return on average assets(1)	2.92%	2.49%	2.73%
Return on average shareholders' equity(2)	36.22%	34.22%	31.78%
Dividend payout ratio(3)..	50%	80%	80%
Shareholders' equity as a percentage of total assets............	9.61%	6.68%	8.09%

(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 Banco Continental, and currently holds 92.24% of the Bank's outstanding capital stock.

The Bank's corporate structure includes a group of wholly-owned subsidiaries offering specialized financial services that complement its commercial banking activities. These subsidiaries include the following (Nuevos Soles amounts translated into U.S. Dollars at an exchange rate of 2.787 Nuevos Soles per Dollar, which is the rate published by the SBS for September 30, 2010):

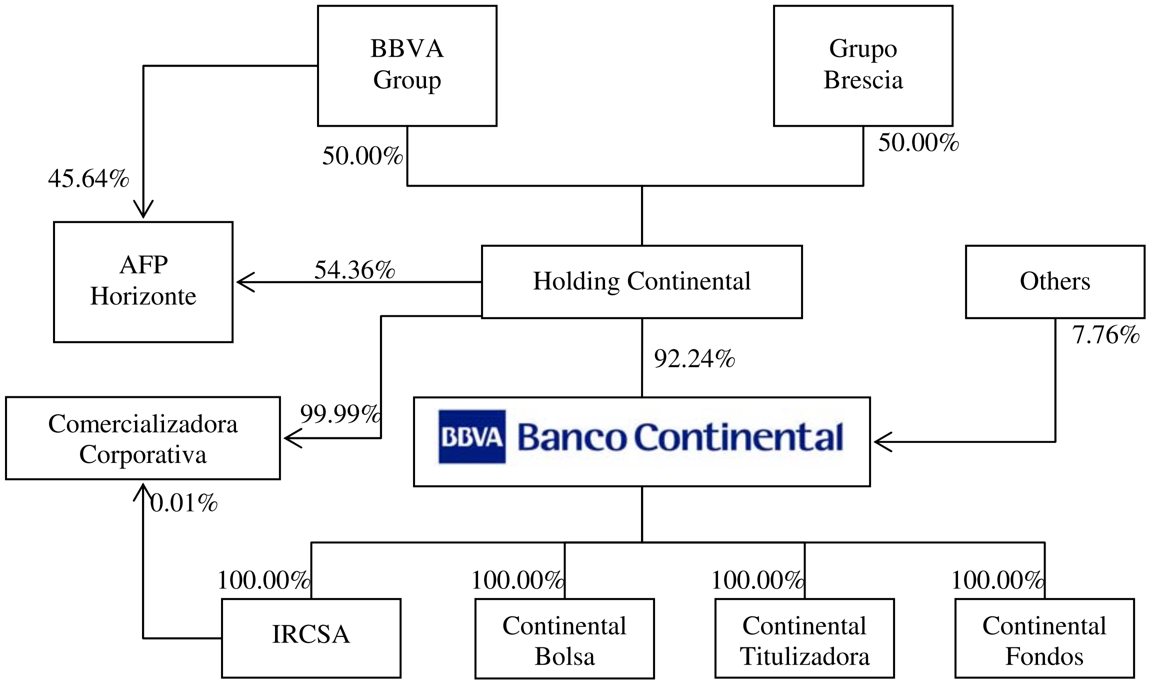
- **Continental Bolsa** is a wholly-owned subsidiary engaged in portfolio advisory and brokerage services on the BVL. The full name of Continental Bolsa is, "Continental Bolsa - Sociedad Agente de Bolsa S.A.," and its registered office is Avenida República de Panama 3065, San Isidro, Lima 27, Perú. Its has U.S.$1.005 million of issued capital and U.S.$0.201 million in reserves. Its profit from ordinary activities, after tax, for 2009 was U.S.$0.792 million. The Bank has invested U.S.$6.108 million in shares of Continental Bolsa. Continental Bolsa still has U.S.$1.251 million to be paid to the Bank on shares held. Continental Bolsa has declared U.S.$0.912 million in dividends for 2009 that will be paid to the Bank. The Bank owes Continental Bolsa U.S.$4.688 million in debt.

- **Continental Fondos** is a wholly-owned subsidiary dedicated to the administration of mutual funds. The full name of Continental Fondos is, "Continental S.A. - Sociedad Administradora de Fondos," and its registered office is Avenida República de Panama 3055, San Isidro, Lima 27, Perú. Its has U.S.$6.883 million of issued capital and U.S.$0.540 million in reserves. Its profit from ordinary activities, after tax, for 2009 was U.S.$2.245 million. The Bank has invested U.S.$11.121 million in shares of Continental Fondos. Continental Fondos still has U.S.$0.359 million to be paid to the Bank on shares held. Continental Fondos has declared U.S.$0.359 million in dividends for 2009 that will be paid to the Bank. The Bank owes Continental Fondos U.S.$0.167 million in debt.

- **Continental Titulizadora** is a wholly-owned subsidiary which provides trustee services for asset securitizations structured by Banco Continental. The full name of Continental Titulizadora is, "Continental Sociedad Titulizadora S.A.," and its registered office is Avenida República de Panama 3055, San Isidro, Lima 27, Perú. Its has U.S.$0.581 million of issued capital and U.S.$0.013 million in reserves. Its profit from ordinary activities, after tax, for 2009 was U.S.$0.001 million. The Bank has invested U.S.$0.588 million in shares of Continental Titulizadora. Continental Titulizadora still has U.S.$0.055 million to be paid to the Bank on shares held. The Bank did not receive dividends in 2009 in respect of shares held in Continental Titulizadora. The Bank owes Continental Titulizadora U.S.$0.444 million in debt.

- **IRCSA** is a wholly-owned subsidiary which manages troubled assets and foreclosed property and equipment. The full name of IRCSA is, "Inmuebles y Recuperaciones Continental S.A. (IRCSA)," and its registered office is Avenida República de Panama 3065 – Tienda 21A, San Isidro, Lima 27, Perú. Its has U.S.$0.367 million of issued capital and U.S.$0.074 million in reserves. Its profit from ordinary activities, after tax, for 2009 was U.S.$3.707 million. The Bank has invested U.S.$6.250 million in shares of IRCSA. IRCSA still has U.S.$5.243 million to be paid to the Bank on shares held. IRCSA has declared U.S.$5.179 million in recoverable dividends for 2008 that will be paid to the Bank. The Bank owes IRCSA U.S.$4.680 million in debt.

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



The Bank's History

General

The Bank was incorporated on September 3, 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, Banco Continental acquired Banco de Progreso. In July 1975, 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 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 Continental. Since 1995, Holding Continental has increased its ownership stake in Banco Continental, and currently holds 92.24% of the Bank's outstanding capital stock.

The Bank is a limited liability company (*sociedad anónima*) that operates pursuant to Law 26702.

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, 2010, BBVA Group had offices in 32 countries, had 104,372 employees, 7,407 branches, 897,894 shareholders, total assets of €568,917 million and a market capitalization of €32,278 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, 2010, 71% of the employees, 57% of the branches, 59% of the net income and 35% of the assets of BBVA Group came from the Americas, including operations in the United States, where in 2007, BBVA Group acquired Compass Bank.

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.

Grupo Brescia

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 and fishing. Grupo Brescia is a family-owned enterprise, with several companies publicly listed on the BVL. They also have investments in Brazil (mining) 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 doubled in size between 2003 and 2010, increasing from approximately 720,000 customers as of December 31, 2003 to approximately 1,812,000 customers as of June 30, 2010. 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$ 25 million, institutional customers and government entities;
- Corporate banking, which serves large corporate groups with annual sales equal to or greater than US$ 25 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 Nuevo 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 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 offer its middle market customers.

Middle Market Banking

The Bank's middle market banking unit serves medium-sized businesses with annual sales of between US$ 1,400,000 and US$ 25 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 Nuevo 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 Nuevo 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$ 25 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 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 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 eighteen mutual funds, which is a separate business from the Bank's asset management services. At June 30, 2010 the Bank had S/. 3.237 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.

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.

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.

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, 2010, the Bank had 259 total branches in Peru, of which 239 branches provided retail services, 19 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, 2010, the Bank had 225 balance and activity modules and 224 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, 2010, the Bank had 688 of its own ATMs, of which 369 were located in its branches, 109 were located in other companies, 113 in a popular chain of drugstores located throughout Peru, pursuant to an agreement with Farmacias Ahumada S.A. which allowed the Bank to placed its ATMs in Farmacias Ahumada S.A.'s locations, and 97 ATMs 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, 2010, there were 2,009 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, 2010, the Bank had 846 express agents and 49 express plus agents located throughout Peru. The 846 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 us to place 577 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 offer 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 (www.bbvabancocontinental.com), 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, 2010, 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, 2010.

	As of June 30, 2010	
	Market Share	**Rank**
Total assets	20.7%	2
Performing loans	23.2%	2
Deposits	21.2%	2
Shareholders' equity	19.0%	3
Net profit	26.0%	2

Source: SBS

Total Assets

As of June 30, 2010, 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, 2009, 2008 and 2007; and as of June 30, 2010 and 2009.

	Assets as of December 31,			Assets as of June 30,	
	2009	2008	2007	2010	2009
	(Nuevo Soles in millions)				
Banco de Crédito	52,832	53,138	41,631	55,690	50,801
Banco Continental	30,047	33,460	24,728	31,536	30,484
Scotiabank	22,969	24,551	17,565	23,898	22,863
Interbank	16,177	14,583	10,086	17,826	14,949
Others	22,198	21,962	14,338	23,656	20,227
Total Peruvian banking system	144,223	147,694	108,349	152,606	139,324

Source: SBS

Performing Loans

As of June 30, 2010, 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 23.2%. The following table sets forth the level of performing loans for banks in Peru as of December 31, 2009, 2008 and 2007; and as of June 30, 2010 and 2009.

	Performing Loans as of December 31,			Performing Loans as of June 30,	
	2009	2008	2007	2010	2009
	(Nuevos Soles in millions)				
Banco de Crédito	31,482	30,854	22,708	33,532	29,627
Banco Continental	20,500	21,171	16,677	22,415	20,848
Scotiabank	13,638	14,342	9,564	14,537	13,786
Interbank	9,950	9,176	6,059	10,681	9,307
Others	14,328	14,339	10,039	15,521	13,961
Total Peruvian banking system	89,898	89,882	65,048	96,687	87,529

Source: SBS

Deposits

As of June 30, 2010, the Bank was the second largest in the Peruvian banking system in terms of deposits, according to the SBS, with a market share of 21.2%. 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, 2009, 2008 and 2007; and as of June 30, 2010 and 2009.

	Deposits as of December 31,			Deposits as of June 30,	
	2009	2008	2007	2010	2009
	(Nuevos Soles in millions)				
Banco de Crédito	38,849	40,611	30,608	35,577	39,313
Banco Continental	21,347	20,804	17,087	22,433	22,123
Scotiabank	17,006	17,052	13,232	17,015	16,615
Interbank	11,521	9,706	7,293	12,555	10,953
Others	15,022	13,714	8,979	16,006	13,312

Total Peruvian banking system	103,745	101,887	77,198	105,585	102,316

Source: SBS

Shareholders' Equity

As of June 30, 2010, 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, 2009, 2008 and 2007; and as of June 30, 2010 and 2009.

	Shareholders' Equity as of December 31,			Shareholders' Equity as of June 30,	
	2009	**2008**	**2007**	**2010**	**2009**
	(Nuevos Soles in millions)				
Banco de Crédito	4,829	4,100	3,208	4,761	4,345
Banco Continental	2,888	2,233	1,987	2,844	2,459
Scotiabank	2,961	2,480	1,727	3,088	2,612
Interbank	1,422	937	824	1,392	1,126
Others	2,619	2,441	1,773	2,912	2,414
Total Peruvian banking system	14,718	12,191	9,518	14,997	12,956

Source: SBS

Net Income

In 2009, the Bank was the 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, 2009, 2008 and 2007, and for the quarters ended June 30, 2010 and 2009.

	Net Income as of December 31,			Net Income as of June 30,	
	2009	**2008**	**2007**	**2010**	**2009**
	(Nuevos Soles in millions)				
Banco de Crédito	925	1,335	883	582	539
Banco Continental	928	724	593	466	519
Scotiabank	637	599	472	341	285
Interbank	429	270	228	218	170
Others	328	391	201	188	129
Total Peruvian banking system	3,247	3,318	2,377	1,795	1,642

Source: SBS

Risk Management

General

The Bank's risk exposures consist 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 oversees credit exposure across all of the Bank's market segments. Risk management is comprised of an integral risk committee, an executive credit risk 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 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 events scenarios and stress testing. The Bank's integral risk committee meets quarterly, or more frequently if needed, and the Bank's executive credit risk committee meets twice a week.

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, in that 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

<u>Retail Lending</u>

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 customer's profile and on the Bank's criteria and risk standards. The Bank uses several tools to evaluate the credit risk represented by individuals, including its tools *Score Reactivo* and *Score de Buró*. Both of these tools 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, as well as the number of credit cards of the individual and the availability of credit on his or her 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 made by the Bank's risk management unit, and the individual process, which is made in 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 at the branch level each new credit card application on an individual basis. 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 prevent risk of default. The Bank monitors its customers' credit and payment behavior on an ongoing basis by keeping track of the various credit products they have with it and with other financial institutions and their payment patterns. The Bank also analyze 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 the corporate, middle-market or small businesses segment. The head of this area is the enterprise risk manager.

The Bank uses a system similar to that used with its retail customers in 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, it monitors its business customers' credit and payment behavior on an ongoing basis by keeping track of the various credit products they have with it and with other financial institutions and 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, its 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.

Recovery

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), 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), time deposits and derivatives.

Liquidity risk is analyzed by time horizon (short and medium term), by concentration of funding and by uses of funding under normal and extreme conditions. Liquidity risk is monitored through a limit 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 two years is available for value-at-risk calculations. "Unwind Period Value-at-Risk" looks to reflect liquidity risk, calculating the number of days it will take to unwind a position without affecting the market. In making these calculations, market outstanding amounts and trade volume information is compared against current exposures, updating the information periodically for internal use only.

The information presented below corresponds to the Bank's positions as of December 31, 2009. 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, recorded as for sale, or as held-to-maturity, or that are highly illiquid or in workout. During the last three months of 2009, daily value-at-risk did not exceed S/. 13.5 million. The daily consolidated value-at-risk limit is S/. 25.7 million. Limits are reviewed periodically.

The following table displays the values of the daily value-at-risk of December 31, 2009 (the last business day of 2009):

	Limits	At Dec. 31, 2009	% of Limit at Dec. 31, 2009

	(Nuevos Soles in thousands, except percentages)		
Limits			
Economic capital	324,892	106,952	32.9%
VaR	25,685	8,455	32.9%
Sublimits			
VaR interest rate	21,832	7,691	35.2%
VaR foreign exchange	6,421	2,400	37.4%

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 ALCO 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 December 31, 2009, 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 3.39% of regulatory capital. As of the same date, the sensitivity of the Bank's economic value (which is the present value of inflows and outflows over time) to the aforementioned interest rate changes was 13.90% of regulatory capital, against a 20.00% limit.

Both sensitivity 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, therefore the potential adverse effects of interest rate volatility are under control. Values above 5.00% (in relation to earnings) and 20.00% (in relation to economic value) suggest a scenario that would be potentially difficult to control (*e.g.*, could involve great earnings losses, decrease of company value, increase of regulatory 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 work as a delegate of the operational risk management unit.

The Bank uses EvRO (*Evaluación del Riesgo Operacional*, or Evaluation of Operational Risk), TransVaR (*Seguimiento y Control Dinámico de las Medidas de Control Adoptadas*, or Monitoring and Dynamic Control of the Adopted Control Measures), 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.

Economic capital for operational risk is currently being calculated under Basel II Alternative Standard Approach. The Bank believes the economic capital for operational risk under the Basel II Advanced Measurement Approach will be completely adjusted during 2011.

Anti-Money Laundering and Counter Terrorism Financing

The Bank believes it is fully comply with local regulations for established policies and procedures for detection and prevention of money laundering and terrorism financing activities and 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 area, created in 1997, which is currently composed of a manager, an anti-money laundering and counter terrorism financing supervisor, a stock market and conduct control supervisor and six 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 30 professionals, specialized in treasury and capital markets, information technology, pension funds, processes, accounting, credit risk and fraud prevention. For special projects, the Bank also has the support of the internal audit unit of BBVA.

The internal audit unit prepares bi-monthly reports to the Board of Directors audit committee, assessing progress and results of the unit's work program (known as the risk based "Annual Audit Plan"), comparing the Bank's policies and procedures with local regulations and reporting on individual audits done at each branch. In addition, the unit prepares reports every four months for the SBS.

Information Technology

The Bank has two datacenter facilities, one located in Monterrey, Mexico, and the second 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 also 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, whereby 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 to serve as a backup site in the event of a disaster, which has the ability to conduct all of its essential operations to ensure the continued functioning of its business.

The datacenter located in Lima, Peru is designed for servers supporting local applications and is integrated with the two main datacenters in Mexico. The Bank plans to replace this datacenter with a new one in a bigger location and it will comply with the latest international standards. This project is currently in its planning phase.

As part of the Bank's disaster recovery plan, it is implementing an additional site in Lima as an alternative datacenter which will allow it to restart operations in a maximum of five hours. This project is currently in the deployment phase. Both sites will be integrated with the two main datacenters 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, to prevent errors.

The Bank's technology operations and initiatives are managed by its Systems and Operations division, which reports to the Bank's CEO. This group employs over 200 full-time employees who 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 the end users, the Bank has outsourced the help desk services and the installation of hardware for the 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 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 fraud. Each of the Banks customers holds a card printed with letter/number coordinates that they are prompted to enter in order to access the Bank's online network. The Bank encourages its customers to adopt common security best practices in their use of the internet to access the Bank's services. By December 2009, internet fraud occurrences were basically null.

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, 2010, the Bank has 259 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,		
	2009	**2008**	**2007**
Banco Continental and Subsidiaries			
Banco Continental	4,327	4,328	3,684
Subsidiaries	49	37	48
Total	4,376	4,365	3,732

4.9% of the Bank's employees belong to a union, which is known as the *Centro Federado de Empleados del BBVA Banco Continental*. The Bank's union contract is renewed annually and it believes its relations with the union are good. The Bank has not experienced a strike or work stoppage since 1990.

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 CONASEV. IRCSA is not required to have a license.

Legal Proceedings

The Bank is subject to several 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, three represent the BBVA Group, and the other two members are independent directors. The Bank's Board of Directors can be contacted at the Bank's principal offices located at Avenida República de Panamá 3055, San Isidro, Lima 27, Lima, Perú.

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
José Antonio García Rico*	Member of the Board of Directors	May 2007

* Independent Directors.

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 Continenal, 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.

José Antonio García Rico has been a Member of the Board of Directors since 2007. Mr. García is a business administrator, with experience serving as managing director of various BBVA Group Business Divisions.

Executive Compensation

The aggregate amount of compensation paid by the Bank's to its executive officers and directors, as a group, for the year ended December 31, 2009 was 0.3% of the Bank's operating profit margin for that year.

Risk Management Committees

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 Corporate 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
Manuel Méndez del Río	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 meet 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

Executive Officers

The following are the Bank's executive officers:

Name	Position
Eduardo Torres Llosa Villacorta	Chief Executive Officer
Gustavo Delgado Aparicio Labarthe	Corporate and Investment Banking Manager
Javier Balbín Buckley	Retail and Middle-Market Banking Manager
Ignacio Quintanilla Salinas	Innovation and Development Manager
José Goldszmidt Biterman	Global Markets 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
Roberto Klinar Barbuza	Human Resources Manager
Karina Bruce Marticorena	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 and Investment Banking Manager since March 2009. Prior to that, Mr. Delgado served as Manager of Corporate Banking 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 & 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.

José Goldszmidt Biterman has served as Global Markets Manager since November 2006. Prior to that, Mr. Goldszmidt served as Country Treasurer for Citibank del Perú S.A. and Manager of Treasury Services for Banco de Lima Sudameris S.A. Mr. Goldszmidt was born September 4, 1968 and holds a degree in business administration from Pontificia Universidad Católica del Perú.

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.

Roberto Klinar Barbuza has served as Human Resources Manager since April 2006. Prior to that, Mr. Klinar served as the Human Resources Manager for AFP Horizonte S.A. Mr. Klinar was born June 7, 1952, and holds a Master's degree in industrial relations from Escuela Internacional de Negocios and a diploma in human resources direction from Universidad Particular Ricardo Palma.

Karina Bruce Marticorena has served as Corporate Development Manager since January 2010. Prior to that, Ms. Bruce held several management positions including Centralized Operations Manager and External Trade Manager. Ms. Bruce holds a degree in business administration.

SHARE OWNERSHIP

As of June 30, 2010, the Bank's issued capital consisted of 1,471,242,652 fully subscribed and paid common shares. Holding Continental owns 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., AFP Horizonte S.A., AFP Integra S.A., and Profuturo AFP S.A. None of these other entities own more than 5.00% of the Bank's common shares.

As of June 30, 2010, the registration of 372,184,636 common shares is pending due to the capitalization of special reserves and retained earnings.

RELATED PARTY TRANSACTIONS

The Bank has entered into various transactions with related parties. Under the Peruvian Banking Law, all loans to related parties (as defined under the Peruvian Banking Law) must be provided on terms no more favorable than the best terms that 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 with us for purposes of 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 Audited 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, 2009 and the six months ended June 30, 2010:

	As of the year ended December 31, 2009	**As of the six months ended June 30, 2010**
	(Nuevos Soles in thousands)	
Related party transactions		
Assets		
Cash and due from banks	25,910	23,170
Loans, net	48	59
Other assets	102,735	82,507
Liabilities		
Deposits and obligations	137,483	597,317
Liabilities to banks and correspondents	-	6,343
Other liabilities	99,664	127,985
Contingent and off-balance sheet accounts		
Contingent accounts	4,163,548	5,092,145
Other off-balance sheet accounts	1,645,700	1,622,952

	For the year ended December 31, 2009	**For the six months ended June 30, 2010**
	(Nuevos Soles in thousands)	
Income		
Financial income	36	1
Financial expenses	(8,523)	(157)
Other income (expenses), net	(41,230)	(16,999)

The following is a summary of direct and indirect loans extended to related parties, as of December 31, 2009 and as of June 30, 2010:

	As of the year ended December 31, 2009	As of the six months ended June 30, 2010
	(Nuevos Soles in thousands)	
Related party transactions		
Loans, net	48	59
Indirect loans	82,150	88,656
Derivatives at market value (positive)	84,521	66,527
Derivatives at market value (negative)	99,664	125,585
Deposits and obligations	137,483	597,317

Accordingly, as of June 30, 2010, direct and indirect loans to related parties were S/.88,715 million, in the aggregate, including S/.59 thousand in outstanding loans. None of these loans are among the Bank's 20 largest borrower concentrations. These loans comprised approximately 0.39% of the Bank's total loan portfolio, of which 100% were classified as Class A (normal), 0.0% as Class B (potential problem), 0.0% as Class C (deficient), 0.0% as Class D (doubtful) and 0.0% as Class E (loss).

As of June 30, 2010, loans and other credits to the Bank's employees amounted to S/.188 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 3.89% of its regulatory capital as of June 30, 2010 and 6.79% of its regulatory capital as of December 31, 2009. 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.

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.

CONASEV

CONASEV is the Peruvian securities market regulatory authority, attached to the *Ministerio de Economía y Finanzas* (Ministry of Economy and Finance). The main purpose of CONASEV 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. This new regime will be implemented in phases over time as follows:

Implementation date	Regulatory capital (% of total weighted assets)	Total weighted assets
July 2009	9.5%	10.5 times the regulatory capital allocated to cover market risks; *plus* 10.5 times regulatory capital allocated to cover operational risks; *plus* Total amount of credit risk-weighted assets.
July 2010	9.8%	10.2 times the regulatory capital allocated to cover market risks; *plus* 10.2 times the regulatory capital allocated to cover operational risks; *plus* Total amount of credit risk-weighted assets.
July 2011	10.0%	10 times the regulatory capital allocated to cover market risks; *plus* 10 times the regulatory capital allocated to cover operational risks; *plus* 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.

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 10% of its net income to its legal reserve until its legal reserve is equal to 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 CONASEV 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, micro business 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 (*Problema Potencial*): 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 an 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, micro business 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 an 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 was lifted on September 28, 2010 by means of 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 legal reserve (*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 mid-term and long-term funding (*i.e.*, more than two years) from foreign financial institutions, other central banks, governments or multilateral lending agencies.

Starting on September 1, 2010, the minimum legal reserve requirement for local and foreign currency deposits will be 8.5%. Foreign currency and local currency deposits collected from the general public will be subject to a marginal rate of 50% and 15%, respectively. Deposits in all currencies collected from a foreign financial institution will be subject to a 65% special rate and a 120% marginal rate. Borrowings from foreign sources with an original maturity of less than two years or less will be subject to a 65% 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 legal 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 to certain foreign sources, such as financial institutions, hedge funds, brokerage firms, pension funds 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 and both the rate of interest paid on deposit reserves and the amount of deposit reserves on which no interest is payable by the Central Bank.

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 September 1, 2010 and November 30, 2010, the maximum coverage amount is S/. 84,710 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.

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. Accordingly, the SBS may intervene in a 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. 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, and further amended by *Decreto de Urgencia* No. 061-2010, 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 will apply 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, shall be governed exclusively by the Peruvian Banking Law. The Consumer Protection Code will enter into force on October 2, 2010.

THE TRUST

General

The Trust

The Trust was formed on September 29, 2010, as a Cayman Islands common law trust by Continental Trustees (Cayman) Ltd., as trustee, pursuant to the Trust Deed. In accordance with the Trust Deed, a single unit, being one equal undivided share into which the beneficial interest of the Trust shall be divided, shall be issued to the Settlor in consideration for a contribution of $10.

The Cayman Trustee as trustee of the Trust has not, and will not have, prior to the Closing Date conducted any operations other than activities incidental to the formation of the Trust. On the Closing Date, the Cayman Trustee will issue the Notes to the initial purchasers for sale to investors on such date or thereafter.

The Trust established by the Cayman Trustee under the Trust Deed will not, as is the case under U.S. law, be a separate legal, or juridical, entity. The holders of Notes only have a contractual relationship with the Cayman Trustee as a result of the Indenture. The Trust is an equitable proprietary relationship between the Cayman Trustee and the Settlor (as defined below) as sole beneficiary subject to the terms of the Trust Deed. The holders of the notes are not beneficiaries under the Trust Deed and the Cayman Trustee does not owe them any fiduciary duties (as it does to the Settlor). For ease of reference, when used herein, the term “Trust” shall not refer to a separate legal entity but shall, unless the context otherwise requires, refer to the Cayman Trustee acting as trustee under the Trust Deed.

The Cayman Trustee

The Cayman Trustee was incorporated in the Cayman Islands on August 5, 2010. The Cayman Trustee is registered under the Banks and Trust Companies Law (2009 Revision) of the Cayman Islands as a controlled subsidiary of Maples Finance Limited. The registered office of the Cayman Trustee is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Settlor

In consideration for an equity contribution of $10, Queensgate Trust Company Ltd. (the “Settlor”) will be the Settlor of the Trust and the sole beneficiary and will be entitled to a profit fee of $50. The Settlor is a licensed trust company incorporated in the Cayman Islands. Pursuant to the Trust Deed, the Settlor may not transfer its interest without the consent of the Cayman Trustee, except that the Settlor may make such a transfer pursuant to a consolidation or amalgamation with, or merger with or into, or transfer all or substantially all of its assets to, another Person or grant an interest pursuant to a charitable declaration of trust. The equity contribution of $10 and the profit fee of $50 will be deposited into an account held by the Cayman Trustee for the benefit of the Settlor and will be distributed in accordance with the Trust Deed.

Purpose and Powers

The Cayman Trustee will engage in only those activities required or expressly authorized by the Trust Deed, the Indenture, the Notes and the Participation Agreement and the other Transaction Documents. The sole purpose and power of the Trust shall be to (i) issue the Notes pursuant to the Indenture, (ii) use the proceeds thereof to acquire the Participation in the Subordinated Loan Agreement and, and the Subordinated Loan, (iii) pledge the Trust Assets (as defined below) to secure the obligations of the Trust under the Notes and the Indenture, (iv) execute the Indenture, the Notes, the Participation Agreement and the Transaction Documents, as applicable, (v) receive funds and/or notices from the Lender under the Participation Agreement, (vi) provide the Lender with instructions as requested or required or as necessary under, or in connection with, the Participation and/or the Participation Agreement, (vii) accept an outright assignment of the Subordinated Loan Agreement, the Subordinated Loan on terms and conditions described below under “— Assignment of the Subordinated Loan” and (viii) all matters reasonably incidental to any or all of the foregoing.

Limited Recourse and Nature of Obligations of the Cayman Trustee

As noted above, unlike business trusts established under U.S. law, the Trust is not a separate legal entity and cannot take actions in its own name. The Cayman Trustee is acting solely in the capacity as trustee of the Trust in relation to the issuance of the Notes and entry into the Indenture and the Participation Agreement. Pursuant to the Indenture, the Notes will be secured obligations of the Trust but are limited in recourse solely to the assets securing the Notes. The assets of the Trust will consist principally of the Participation in the Subordinated Loan and the Subordinated Loan Agreement, all cash paid in respect thereof, all rights related to the foregoing and, any accounts into which such cash or the proceeds of any of the foregoing shall be deposited pursuant to the Subordinated Loan Agreement, the Participation Agreement, the Indenture or otherwise (the "Trust Assets"). Accordingly, the holders of the Notes must rely solely on amounts payable under or in respect of the Trust Assets as the source for the payment of principal of and interest and other amounts due on, or with respect to, the Notes. The Notes do not represent interests in or obligations of the Lender or any of its affiliates or any person or entity other than the Cayman Trustee (solely in its capacity as trustee of the Trust and subject to the limited recourse provisions described herein).

To the extent that the Trust Assets are not sufficient to meet in full the claims of all holders of the Notes, the holders of the Notes may not take any action (including, without limitation, the filing of any petition for the bankruptcy, winding-up or insolvency of the Cayman Trustee) to enforce their rights other than to require the realization of such assets. Claims of the holders of the Notes in respect of any shortfall remaining after collection or other realization in respect of the Trust Assets will be extinguished.

Amendment, Supplement and Modification

Modification of Trust Deed

The Trust Deed may not be amended or modified except when such amendment or modification would not have a material adverse effect on the rights of the holders of the Notes or the transactions contemplated in the Participation Agreement, the Indenture and the other Transaction Documents.

Dissolution of the Trust

Each of the following events will trigger the dissolution and winding up of the Trust: (i) entry of a decree of judicial dissolution of the Trust or judicial action rendering the Trust Deed unenforceable, (ii) distribution to the holders of the Notes of the full principal amount of the Subordinated Loan as payment of the Note Principal Amount and the final payment of all other amounts due in respect of the Subordinated Loan and, as a result thereof, due in respect of the Notes, (iii) before the issuance of any Notes, at the direction of the Settlor, or (iv) upon the expiration of the term of the Trust as set forth in the Trust Deed. Upon any such dissolution and winding-up, the Trust will terminate and the Trust Deed will be of no further force or effect.

No Events of Default under the Trust Deed

The Trust Deed does not include any events of default.

Covenants Relating to the Separateness of the Trust

Pursuant to the terms of the Trust Deed, in order to protect the separateness of the Trust, the Cayman Trustee will covenant (i) not to commingle or pool funds or other assets of the Trust with those of any other person or with other assets of the Cayman Trustee; (ii) to maintain records and books of account relating to the Trust separate from those of any other person; (iii) not to create, assume or incur any indebtedness or obligations of any kind or nature as trustee of the Trust, except pursuant to the Indenture, the Notes and the Participation Agreement; and (iv) not, as trustee of the Trust, to lend money to any person, or to guarantee or become obligated to provide funds for the purpose of supporting the indebtedness or obligations of any person, except pursuant to the Indenture, the Notes and the Participation Agreement, or, to the extent practicable, permit any person to guarantee, become obligated for, or hold itself or property out to be responsible for, or available to satisfy, the debts or obligations of the Trust. The Cayman Trustee shall make no transfer of the Trust Assets except in accordance with the Trust Deed, the Participation Agreement, the Indenture or the related transaction documents and after adherence to requisite Cayman Islands trust formalities.

Standard of Care for the Cayman Trustee

The Cayman Trustee, in the administration of the Trust, may act directly or through agents or attorneys pursuant to agreements entered into with any of them, and the Cayman Trustee will not be liable for the default or misconduct of such agents or attorneys if such agents or attorneys were selected by the Cayman Trustee with reasonable care. The Cayman Trustee may consult with counsel, accountants and other skilled persons to be selected with reasonable care and employed by the Cayman Trustee. The Cayman Trustee will not be liable for anything done, suffered or omitted by it in good faith in accordance with the advice or opinion of any such counsel, accountants or other skilled persons.

The Cayman Trustee will manage the affairs of the Trust in accordance with the terms of the Trust Deed and the other transaction documents. The Cayman Trustee will not be required to take any actions under the Trust Deed if the Cayman Trustee reasonably determines or is advised by counsel that such action is contrary to the terms of the Trust Deed or is otherwise contrary to law.

Appointment, Removal and Resignation of the Cayman Trustee

The Cayman Trustee may be appointed or removed without cause at any time prior to the issuance of the Notes by a written instrument signed by the Settlor, and after the issuance of the Notes, pursuant to terms agreed by the Cayman Trustee in the Indenture, by a majority of the holders of the Notes voting at a meeting of the holders of the Notes or by written consent in lieu of such a meeting; *provided*, *however*, that the Cayman Trustee may not be removed until a successor Cayman Trustee with the requisite qualifications stipulated in the Trust Deed has been appointed and has accepted the appointment in a written instrument signed by such successor Cayman Trustee.

The Cayman Trustee may resign at any time by giving not less than 180 days' prior written notice to the holders of the Notes and the Settlor, in which event a majority of the holders of the Notes will use their reasonable best efforts to promptly appoint a successor Cayman Trustee that meets the standards set forth in the Trust Deed.

If no successor Cayman Trustee shall have been appointed and accepted as provided in the Trust Deed within 30 days after delivery to the holders of the Notes and the Settlor of a notice of resignation, the Cayman Trustee, the Settlor or the majority of holders of the Notes may petition any court of competent jurisdiction to appoint a successor Cayman Trustee to act until such time as a successor Cayman Trustee has been appointed and accepted as above provided. Such court may, after prescribing such notice, if any, as it may deem proper and prescribe, appoint a successor Cayman Trustee. Any resignation of the Cayman Trustee and appointment of a successor Cayman Trustee will not become effective until written acceptance of the appointment and novation of the transaction documents to the successor Cayman Trustee or until the Trust Assets have been completely liquidated and the proceeds thereof distributed to the holders of the Notes. The successor Cayman Trustee shall promptly notify the rating agencies in writing of its appointment.

Liquidation/Termination

Upon a repayment in full of the Subordinated Loan Agreement and, the Subordinated Loan, remaining Trust Assets (if any) will be liquidated and applied in the following order of priority: (i) *first*, to pay the costs and expenses of liquidation and termination of the Trust; (ii) *second*, to any creditors of the Trust (including, without limitation, the Cayman Trustee); (iii) *third*, to establish reserves reasonably adequate to meet any and all contingent liabilities or obligations of the Trust; (iv) *fourth*, to the holders of the Notes in an amount equal to such holders' *pro rata* interest in the Trust Assets; and (v) *fifth*, the balance to the Trust to be applied by the Cayman Trustee to the remaining beneficiaries, if any, or the Settlor of the Trust in accordance with the Trust Deed.

Governing Law

The Trust Deed will be governed by the law of the Cayman Islands.

DESCRIPTION OF THE NOTES AND THE OTHER TRANSACTION DOCUMENTS

The following summary of certain provisions of the Notes, the Indenture, the Subordinated Loan Agreement, the Participation Agreement, the Trust Deed (the "Transaction Documents") does not purport to be complete and is qualified in its entirety by reference to the applicable provisions of the Transaction Documents. The holders of the Notes will be entitled to the benefits of, be bound by, and be deemed to have notice of all of the provisions of the Transaction Documents. Copies of the Transaction Documents will be on file with the initial purchasers and may be inspected by prospective holders of the Notes at the corporate trust office of the Indenture Trustee and at the offices of the Bank and of the initial purchasers.

General

The sole purpose of the issuance of the Notes is to provide the funds for the Cayman Trustee to purchase the Participation on behalf of the Trust. As a result of the Participation, the Notes represent proportional interests of the holders thereof in all payments of principal, interest, additional amounts in respect of taxes and other amounts payable by the Bank with respect to the Subordinated Loan Agreement. The principal obligation of the Cayman Trustee, in its capacity as trustee of the Trust, is to account to the holders of the Notes for all such payments when, as and if actually received by the Lender and, as a result of the Participation, by the Cayman Trustee, acting as trustee of the Trust, pursuant thereto. The Notes do not represent an obligation of the Lender, the Indenture Trustee, the Cayman Trustee (other than in its capacity as trustee of the Trust subject to the limited recourse provisions described herein) or the Bank and are not guaranteed by the Bank, in the event funds received in respect of the Subordinated Loan and the Participation are insufficient to make payments that are due on the Notes, none of the foregoing shall be required to make up any such shortfall from their own respective funds.

The Trust and its operations are governed by Cayman Islands law. As described below under "The Trust," the Trust is a contractual arrangement and it is not a separate juridical entity. All references herein to the Cayman Trustee shall refer to the Cayman Trustee acting in its capacity as trustee of the Trust under the Trust Deed. The Cayman Trustee issued the Notes under the Indenture, dated as of October 7, 2010 among the Cayman Trustee, The Bank of New York Mellon, as Indenture Trustee, Registrar, Principal Paying Agent and Transfer Agent and The Bank of New York Mellon (Luxembourg), S.A., as Luxembourg paying agent (the "Luxembourg Paying Agent").

The Notes have the following basic terms:

- The Notes will initially be issued in an initial aggregate principal amount of U.S.$200,000,000 (the amount outstanding from time to time is referred to as the "Note Principal Amount"), in minimum denominations of U.S.$100,000 and integral multiples of U.S.$1,000 in excess thereof, and will mature at par on October 7, 2040, subject to adjustment if such date is not a Business Day (as defined below) (the "Stated Maturity"), unless earlier redeemed or repaid earlier as a result of one or more redemption events described below under "—Redemption Events" pursuant to the terms of the Indenture as a result of a prepayment or acceleration of the Subordinated Loan.

- Payment of interest on the Notes (the "Note Interest") will be made as described under "—Note Interest", subject to the limitations on interest described below under "—Limitations on Interest."

- The Notes are not obligations of and are not guaranteed by the Bank. As security for the Notes, the Cayman Trustee has pledged all of the Trust Assets to the Indenture Trustee, which Trust Assets consist only, as described below under "The Trust," of the Participation in the Subordinated Loan (which has a principal amount equal to the Note Principal Amount), the Subordinated Loan Agreement and all cash paid in respect thereof, any accounts into which such cash or the proceeds of the foregoing shall be deposited pursuant to the Subordinated Loan Agreement, the Participation Agreement, the Indenture or otherwise and the rights related thereto with respect to the Subordinated Loan. All outstanding Notes share *pari passu* in the Trust Assets, except to the extent Notes are repurchased and cancelled as a result of a redemption as provided herein.

- The Notes are limited recourse obligations of the Cayman Trustee and are payable solely out of the Trust Assets (including payments received from the Lender as a result of the Participation) and neither the Cayman Trustee nor the Indenture Trustee have any liability in respect of all or any portion of the Subordinated Loan Agreement. The Notes will be entitled to receive payments or be repurchased in a redemption as described herein only to the extent the Indenture Trustee receives funds from the Trust Assets.

- The Notes are being offered and sold only 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 and also Qualified Purchasers (as defined in Section 2(a)(51)(A) of the Investment Company Act) or (2) non-U.S. Persons (within the meaning of Regulation S of the Securities Act) outside of the United States.

- The Notes sold in reliance on Rule 144A under the Securities Act will be issued in the form of a fully registered restricted global note (the "Rule 144A Global Note"), and the Notes sold in reliance on Regulation S under the Securities Act will be issued in the form of a fully registered Regulation S global note (the "Regulation S Global Note" and, together with the Rule 144A Global Note, the "Global Notes").

- Unless other arrangements are made, payments of principal and interest on the Notes will be made as described under "—Form, Denomination and Registration of the Notes."

Except as described below under "—Redemption Events" with respect to a Mandatory Redemption Event (as defined below), the Indenture does not contain provisions that permit the holders of the Notes to require that the Cayman Trustee repurchase the Notes, including, in the event of a takeover, recapitalization or similar transaction with respect to the Bank.

Note Principal Amount

The Indenture Trustee will make payments of principal in respect of the Notes out of (i) payments in respect of principal arising as a result of repayment at maturity or earlier as a result of an acceleration or prepayment of the Subordinated Loan received by the Lender from the Bank and paid over to the Cayman Trustee pursuant to the Participation and (ii) any payments of premium or other amounts payable in connection with any prepayment or repayment of the principal of the Subordinated Loan as provided in the Subordinated Loan Agreement. The Note Principal Amount will be due and payable in full, together with accumulated and unpaid Note Interest and other amounts due under the Indenture, on the same date as the maturity date for the Subordinated Loan, being October 7, 2040, to the extent the Notes have not been redeemed or repaid prior thereto as provided below under "—Redemption Events." No event of default under the Notes will occur in the event the Cayman Trustee fails to receive payments from the Lender in respect of the Participation and amounts due in respect of the Note Principal Amount will be delayed until payments in respect of the principal amount of the Subordinated Loan are received by the Cayman Trustee and paid over pursuant to the Indenture to the Indenture Trustee. The failure by the Cayman Trustee to pay the Note Principal Amount when due and payable will not be an Event of Default under the Subordinated Loan Agreement. See "—The Subordinated Loan Agreement—Events of Default". The interest and principal amount and interest on the Subordinated Loan (in that order) may be used to absorb losses if so decreed by the SBS. Interest and principal on the Notes would not be due and payable in such case. See "—The Subordinated Loan—Loss Absorption."

Note Interest

General

The Indenture Trustee will make payments in respect of the Note Interest to holders of the Notes out of payments of interest on the Subordinated Loan received by the Lender from the Bank and paid over to the Cayman Trustee pursuant to the Participation on any day on which payments are received by the Cayman Trustee. No event of default under the Notes will occur in the event the Cayman Trustee fails to receive payments in respect of interest from the Lender in respect of the Participation and amounts due in respect of Interest on the Notes will be delayed until payments in respect of interest on the Subordinated Loan are received by the Cayman Trustee pursuant to the Participation and paid over pursuant to the Indenture to the Indenture Trustee. The failure by the Cayman Trustee to pay any Note Interest when due and payable will not be an Event of Default under the Subordinated Loan Agreement. Payments of Note Interest will be made to the holders of the Notes registered as such as of the close of business on a record date being the tenth Business Day preceding each Interest Payment Date (the "Record Date").

Fixed Interest Periods

Subject to the limitations on interest described below under "—Limitation on Interest," the Notes will accrue interest from and including October 7, 2010 (the "Issue Date") to but excluding October 7, 2020 (the "First Optional Repayment Date") at a fixed rate per annum equal to 7.375% (the "Fixed Interest Rate"), payable semi-annually in arrears on April 7 and October 7 of each year, commencing on April 7, 2011 (each a "Fixed Interest Payment Date"). The period from and including a Fixed Interest Payment Date (or the Issue Date, in case of the first Fixed Interest Period) to but excluding the next Fixed Interest Payment Date is referred to as a "Fixed Interest Period."

Note Interest payable in respect of any full Fixed Interest Period will be U.S.$36.875 per U.S.$1,000 principal amount of the Notes. The Note Interest payable in respect of any Fixed Interest Period that is less than a full Fixed Interest Period will be calculated on the basis of a 360-day year consisting of twelve 30-day months. In the event that any Fixed Interest Payment Date is not a Business Day, then payment of the interest payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay), with the same force and effect as if made on the date such payment was originally payable.

Floating Interest Periods

Subject to the limitations on interest described under "—Limitation on Interest," the Notes will accrue interest from and including the First Optional Repayment Date to but excluding the Stated Maturity, at a floating rate per annum equal to the sum of Three-Month LIBOR Rate determined as of the second Business Day prior to the commencement of each Floating Interest Period (each, a "Determination Date") *plus* 680.2 basis points per annum, payable quarterly in arrears on January 7, April 7, July 7 and October 7, of each year, commencing on April 7, 2020 (each a "Floating Interest Payment Date" and, together with the Fixed Interest Payment Dates, the "Interest Payment Dates"). The period from and including the First Optional Repayment Date to but excluding the first Floating Interest Payment Date and each period thereafter from and including a Floating Interest Payment Date to but excluding the next Floating Interest Payment Date is referred to as a "Floating Interest Period."

The Note Interest payable in respect of each Floating Interest Period will be calculated on the basis of a 360-day year and the actual number of days elapsed in such Floating Interest Period. In the event that any Floating Interest Payment Date is not a Business Day, then such Floating Interest Payment Date will be postponed until the next succeeding day that is a Business Day, unless it would thereby fall in the next succeeding calendar month, in which case such Floating Interest Payment Date will be brought forward to the immediately preceding Business Day, and the amount of interest will be adjusted accordingly. The calculation agent with respect to the Note Interest payable at the end of each Floating Interest Period shall be the Indenture Trustee.

Definitions

For the purposes of the foregoing:

(i) The term "Three-Month LIBOR Rate" is defined in the Indenture as:

(a) the rate for deposits in Dollars for a period equal (or substantially equal) to the relevant Floating Interest Period that appears on page LIBOR01 of the Reuters Monitor Money Rates Service (or such other page as may replace that page on that service for the purpose of displaying comparable rates or prices) as of 11:00

a.m. (London time) on such Determination Date (or, if more than one such rate is quoted, then the arithmetic mean (rounded upwards to the nearest 1/16th of 1%) of such quoted rates),

(b) if no such rate appears on the Reuters Monitor Money Rates Service, then the rate for deposits in Dollars for a period equal (or substantially equal) to the relevant Floating Interest Period that is announced by The British Bankers' Association and appears on page BBAM1 of the Bloomberg Professional service owned by Bloomberg LP (or such other page as may replace that page on that service for the purpose of displaying comparable rates or prices) as of 11:00 a.m. (London time) on such Determination Date (or, if more than one such rate is quoted, the arithmetic mean (rounded upwards to the nearest 1/16th of 1%) of such quoted rates), or

(c) if Three-Month LIBOR cannot be determined on such Determination Date using the foregoing methods, then the Three-Month LIBOR for the relevant Floating Interest Period shall be the Three-Month LIBOR as determined using the foregoing methods for the first day before such Determination Date on which Three-Month LIBOR can be so determined. Defined terms in this definition of LIBOR Rate are as defined in the Indenture.

(ii) The Term "Business Day" is defined in the Indenture as any day, other than a Saturday or Sunday, that is neither a legal or official holiday nor a day on which commercial banks are authorized or required by law, regulation or executive order to close in Lima, Peru, the Cayman Islands or New York City, New York, and, when used in connection with a LIBOR transaction, also any day on which commercial banks are not open for dealings in deposits in the London interbank market.

Limitations on Interest

Mandatory Cancellation of Interest Payments on the Notes

No payments of Note Interest will be due and payable to the holders of the Notes on an Interest Payment Date in the event, and to the extent that, the Cayman Trustee has not received the related payment under the Participation Agreement by reason of the Bank not being permitted or required to make any payment of interest on the Subordinated Loan on an Interest Payment Date (a "Mandatory Cancellation of Note Interest") as a consequence of a Mandatory Cancellation of Loan Interest or an Optional Cancellation of Loan Interest:

Mandatory Cancellation of Loan Interest

The Bank will be prohibited from making payments of interest on the Subordinated Loan ("Loan Interest" and each such prohibition, a "Mandatory Cancellation of Loan Interest") on an Interest Payment Date if it determines that:

(i) its Total Capital Ratio would be less than the Minimum Capital Ratio as at such Interest Payment Date; or

(ii) it would not have any Distributable Amounts.

For the purposes of the foregoing:

"Distributable Amounts" shall mean the distributable amounts of the Bank as defined in Article 2(11) of SBS Resolution No. 4727-2009, as amended from time to time and any successor provisions thereto, based on the Bank's audited unconsolidated financial statements as of the last day of the immediately preceding fiscal year and consisting of accumulated retained earnings that have not yet been committed for capitalization and voluntary reserves that can be released without any prior consent from the SBS.

"Minimum Capital Ratio" shall mean the minimum Total Capital Ratio required to be maintained by the Bank in accordance with article 199 of the Peruvian Banking Law, as supplemented by the Twenty-Fourth Final and Complementary Provision of the Peruvian Banking Law, and as may be further supplemented from time to time. As of the date hereof, and until July 2011, the Minimum Capital Ratio is 9.8%.

"Peruvian Banking Law" shall mean the *Ley General del Sistema Financiero y de Seguros y Orgánica de la Superintendencia de Banca y Seguros*, approved by Peruvian Law 26702, as amended and as the same may be amended, restated, supplemented or replaced from time to time.

"Regulatory Capital" shall mean the regulatory capital (*patrimonio efectivo*) of the Bank calculated in accordance with articles 184 and 185 of the Peruvian Banking Law, as the same may be amended, restated, supplemented or replaced from time to time.

"Total Capital Ratio" shall mean the capital adequacy ratio of the Bank, which shall be calculated by dividing the Regulatory Capital by the Total Risk-Weighted Assets, as of the most recent date such ratio is required to be calculated by the Peruvian Banking Law or by the SBS.

"Total Risk-Weighted Assets" shall mean as set forth under article 199 of the Peruvian Banking Law, as supplemented by the Twenty-Fourth Final and Complementary Provision of the Peruvian Banking Law, the sum of: (i) a multiple of the Regulatory Capital allocated to cover market risks, (ii) a multiple of the Regulatory Capital allocated to cover operational risks and (iii) the total amount of credit risk-weighted assets of the Bank.

Optional Cancellation of Loan Interest

No payments of Loan Interest will be due and payable by the Bank on an interest payment date under the Subordinated Loan Agreement in the event, and to the extent that, the Bank has, at its option, cancelled any payment of Loan Interest (an "Optional Cancellation of Loan Interest"), but solely in the event that the Bank determines in good faith that such cancellation is necessary or desirable to enable it to continue during the next twelve months to be in compliance with the applicable minimum regulatory capital requirements set forth in Article 199 (and transition provisions) of the Peruvian Banking Law and in regulations issued by the SBS or any amendment or successor thereto.

Notification of a Cancellation of Note Interest

In the event that the Bank has determined that it will not pay interest on the Subordinated Loan on the next interest payment date under the Subordinated Loan Agreement as a result of a Mandatory Cancellation of Loan Interest or an Optional Cancellation of Loan Interest, the Bank will, promptly thereafter and in any case no later than 15 Business Days prior to the relevant Interest Payment Date, notify The Bank of New York Mellon, acting as the administrative agent under the Subordinated Loan Agreement (the "Administrative Agent"), who will in turn, notify the Cayman Trustee within two Business Days of receipt of such notice and the Cayman Trustee will then notify the Indenture Trustee within two Business Days of receipt of such notice. Any such notice from the Bank will include an officers' certificate of the Bank confirming that such cancellation is in compliance with, and sets forth the facts providing the basis for the Bank's determination in accordance with, the limitations described above. When an Optional Cancellation of Loan Interest or Mandatory Cancellation of Loan Interest is no longer in effect, the Bank will so notify the Administrative Agent who will in turn notify the Cayman Trustee, who will then notify the Indenture Trustee, who will notify the holders of the Notes pursuant to the provisions of the Indenture.

Non-cumulative Interest

Interest payments on the Notes and on the Subordinated Loan are non-cumulative such that, if an interest payment is cancelled (in whole or in part) as a result of the limitations described above, the unpaid interest will not accrue or be due and payable at any time and the failure to pay such interest will not constitute a default or an event of default. Accordingly, holders of the Notes will not have any claim therefor, whether or not interest is due or paid in respect of any other period.

Source of Available Funds

As provided above, the Cayman Trustee will pay all amounts due on or with respect to the Notes solely from the periodic payments it receives from the Lender under the Participation Agreement representing funds received by the Lender from the Bank in respect of the Subordinated Loan Agreement and the Subordinated Loan, including in respect of expenses, taxes and certain other amounts.

Ranking

The Notes constitute direct, secured, limited recourse and unsubordinated obligations of the Cayman Trustee and will rank *pari passu* amongst themselves and equal in right of payment with all other obligations of the Cayman Trustee that are not, by their terms, expressly subordinated in right of payment to the Notes or which rank senior thereto by operation of law.

Security

The Notes are secured by a first priority perfected security interest in the Trust Assets and, by virtue of the same, the holders of the Notes will have recourse to be repaid amounts due on or in respect of the Notes solely to the Trust Assets and no person or entity, other than the Cayman Trustee (solely in its capacity as trustee of the Trust and subject to the limited recourse provisions described herein), shall have any liability in respect thereof.

Further Issuances

The Indenture by its terms does not limit the aggregate principal amount of Notes that may be issued thereunder and permits the issuance, from time to time, of additional Notes of the same series as is being offered hereby, *provided*, *however*, that among other requirements (i) the Lender has made an additional disbursement under the Subordinated Loan equal to the aggregate face amount of the additional Notes to be issued and the SBS has approved such additional disbursement, (ii) the Participation Agreement has been amended to reflect the additional disbursement, (iii) no Event of Default under the Subordinated Loan Agreement shall have occurred and then be continuing or shall occur as a result of such additional issuance and (iv) such additional Notes rank *pari passu* with, and have equivalent terms and benefits as, the Notes offered hereby. Any additional Notes will be part of the same series as the Notes that the Cayman Trustee is currently offering and will vote on all matters with the Notes that the Cayman Trustee is currently offering as a single class.

Accounts

The Indenture Trustee has established a segregated trust account at the Indenture Trustee in the name of the Indenture Trustee (the "Loan Collection Account"). The Cayman Trustee will deposit, or cause to be deposited (including pursuant to a request to the Lender), into the Loan Collection Account, so long as the Indenture Trustee has a security interest in the Trust Assets pursuant to the Indenture, all payments received by the Cayman Trustee from the Lender under the Participation Agreement and any other Transaction Document, including all periodic principal, interest and other payments received by the Cayman Trustee in respect of the Participation representing funds received in respect of the principal, interest and other payments payable by the Bank to the Lender under the Subordinated Loan Agreement.

The Indenture Trustee will also establish and maintain a segregated trust account at the Indenture Trustee into which it will deposit any amounts allocated for payment in respect of the Notes received by the Cayman Trustee in respect of the Participation and on deposit in the Loan Collection Account (the "Note Payment Account").

It is not expected that funds will remain on deposit in either the Loan Collection Account or the Note Payment Account for more than a Business Day and, as a result, neither the Trust Deed nor the Indenture provides for the investment of any such funds. In the event, for any reason it becomes necessary for funds on deposit in either the Loan Collection Account and/or the Note Payment Account to remain on deposit pending payment or distribution to the holders of the Notes, the Indenture Trustee shall invest such funds, in the absence of any instructions from the Cayman Trustee, in overnight instruments in The Bank of New York Deposit Reserve Account

Fund as set forth in the Indenture and all earnings thereon shall be distributed pro rata to the holders of the Notes when final payment in respect of principal on the Notes is made.

Payments on the Notes

Pursuant to the Indenture, on each date a payment in respect of principal, interest or other amounts is due on, or with respect to, the Notes (a "Note Payment Date") and on each date the Lender is required to make a payment to the Cayman Trustee pursuant to the Participation Agreement, the Cayman Trustee will direct the Indenture Trustee in writing to withdraw all amounts then credited to the Loan Collection Account for deposit to the Note Payment Account and apply such amounts in the following order of priority:

(i) *first*, to the Lender, in an amount equal to any due but unpaid amounts owing by the Cayman Trustee to the Lender under the Participation Agreement in respect of fees and expenses, to the extent the Bank has not theretofore paid the same; and

(ii) *second*, the remainder for application in accordance with the terms of the Indenture.

Pursuant to the Indenture, the Indenture Trustee, or such paying agent as the Indenture Trustee shall appoint with respect to the Notes, will distribute the funds deposited into the Note Payment Account in the following order of priority:

(i) *first*, if the Note Payment Date is a date of any redemption of Notes as provided herein (a "Note Redemption Date"), to each holder of Notes whose Notes were accepted for redemption, its proportionate interest of the applicable redemption price as provided herein;

(ii) *second*, to each holder of Notes, its proportionate interest of the accumulated and unpaid Note Interest then due and payable and Additional Amounts, if any, due thereon, in respect of the Notes held by such holder of Notes then being redeemed; and

(iii) *third*, to each holder of Notes, its proportionate interest of the Note Principal Amount then due and payable in respect of the Notes held by such holder of Notes; *provided*, *however*, that no holder of Notes will receive payments pursuant to this clause (iii) in respect of any Note Principal Amount redeemed as contemplated in clause (i).

The Indenture provides that each holder of Notes will be deemed to assent and agree, by its acceptance of a Note, that it will promptly remit to the Indenture Trustee any excess payment it has received on the Notes.

On the respective payment date of such payments, so long as the Notes are held in the name of a nominee of DTC, the Indenture Trustee, or such paying agent as the Indenture Trustee will appoint, will make such payments to DTC or its nominee, as the case may be, in accordance with arrangements between the Paying Agent and DTC or its nominee. See below "—Form, Denomination and Registration of Notes—Book-Entry Procedures for the Global Notes."

Note Redemption Events

General

The Notes shall be subject to mandatory redemption upon the occurrence of any optional or mandatory repayment by the Bank of the amounts outstanding from time to time under the Subordinated Loan.

The Bank will (i) have the option to prepay all or any portion of the Subordinated Loan on the First Optional Repayment Date and thereafter on any Floating Interest Payment Date (an "Optional Redemption"), (ii) have the option to prepay all, but not less than all, of the Subordinated Loan at any time following the occurrence of any of a Regulatory Event, a Non-deductibility Tax Event, a Value Added Tax Event or a Withholding Tax Event (each as defined below and, together with any Optional Redemption once the related options have been exercised, the "Mandatory Note Redemption Events"), and (iii) be required to prepay the Subordinated Loan in full plus accrued and unpaid interest, additional amounts if any, and other amounts payable under the Subordinated Loan, upon the acceleration of the Subordinated Loan as a result of the occurrence of an Event of Default thereunder (a "Mandatory Acceleration Prepayment Event").

Upon the exercise by the Bank of its option to repay the Subordinated Loan, in whole or in part, the Bank will be required to provide notice thereof to the Administrative Agent, who will be required under the Participation Agreement to provide notice of the same to the Cayman Trustee, who in turn will be required under the Indenture to provide notice of the same to the Indenture Trustee. Upon the occurrence of a Mandatory Note Redemption Event and payment by the Bank to the Lender of the applicable prepayment amounts (each, a "Prepayment Amount") under the Subordinated Loan, the Administrative Agent shall promptly pay over the amounts so received from the Bank for deposit to the Loan Collection Account for the benefit of the Cayman Trustee and, as provided herein, the Indenture Trustee, consistent with the requirements of applicable Cayman Islands, United States and other law, shall mandatorily redeem the Notes on a *pro rata* basis in an amount equivalent to the portion of the Subordinated Loan that has been prepaid by the Bank (each, a "Mandatory Note Redemption"). Such Mandatory Note Redemption by the Cayman Trustee of the Notes (or the applicable portion thereof) shall be accomplished by the Indenture Trustee by sending to each holder of the Notes on the applicable record date a notice of the reason for the redemption and the expected amount of the Notes to be mandatorily redeemed and the applicable redemption price payable per US$1,000 principal amount of the Notes.

Upon the acceleration of the Subordinated Loan as a result of occurrence of an Event of Default thereunder, the Administrative Agent shall notify the Cayman Trustee, who shall in turn notify the Indenture Trustee, who will then provide notice to the holders of the Notes. As a consequence of such acceleration, the Indenture Trustee will exercise on behalf of the holders of the Notes the remedies available under applicable laws.

Notwithstanding anything herein to the contrary, the funds available to be used to mandatorily redeem the Notes shall be limited to funds in respect of the amounts actually received by the Cayman Trustee from the Administrative Agent following receipt of the same from the Bank. Following any such Mandatory Note Redemption, the aggregate principal amount of the Notes outstanding shall be reduced in an aggregate amount, *pro rata* for all holders of Notes, in an amount equal to such Mandatory Note Redemption and all amounts thereafter due and payable in respect of the Notes, including in respect of the Note Interest and Notes Additional Amounts, if any, shall be payable based on the then outstanding amount of the Notes after giving effect to any such Mandatory Note Redemption.

Optional Redemption of the Subordinated Loan

The Bank has the option to prepay the Subordinated Loan in which case the Notes will be mandatorily redeemable on or after the First Optional Repayment Date and thereafter on any Floating Interest Payment Date, in whole or in part, at the Base Repayment Amount. Such option may only be exercised, and redemption of the Notes shall only be made by the Cayman Trustee, if, and to the extent required, the Bank has obtained the authorization from the SBS to effect the prepayment of the Subordinated Loan.

"Base Repayment Amount" means the aggregate principal amount of the Subordinated Loan plus accrued and unpaid interest in respect of the current interest period to (but excluding) the repayment date and Subordinated Loan Additional Amounts, if any.

Early Repayment Upon a Regulatory Event

Upon the occurrence of a Regulatory Event, the Cayman Trustee must redeem the Notes if, and to the extent that, the Bank exercises its option to prepay the Subordinated Loan at any time prior to the First Optional Repayment Date, in whole but not in part, in an amount equal to the higher of (a) the Base Repayment Amount and (b) the Make-Whole Amount. Such option may only be exercised, and prepayment shall only be made, if, and to the extent required, the Bank shall have obtained the authorization from the SBS to effect such repayment and upon satisfaction of other conditions required under the Subordinated Loan Agreement.

"Regulatory Event" means that, as a result of (i) any change in, or amendment to, the laws (or any regulations or rulings issued thereunder) of Peru or any political subdivision thereof or any regulatory authority therein 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, which change or amendment becomes effective on or after the Funding Date of the Subordinated Loan, the Bank will no longer be entitled to treat the full principal amount of the Subordinated Loan as Tier 1 Regulatory Capital pursuant to Peruvian banking regulations.

"Tier 1 Regulatory Capital" means the tier 1 regulatory capital (*patrimonio básico o de nivel 1*) of the Bank calculated in accordance with article 184(A) of the Peruvian Banking Law, as the amended, restated, supplemented or replaced from time to time.

"Make-Whole Amount" means the sum of the present values of each remaining scheduled payment of principal and interest on the Subordinated Loan to the First Optional Repayment Date (exclusive of interest for the current interest period accrued to the redemption date) discounted to the repayment date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 0.50%, plus accrued and unpaid interest for the current interest period to but excluding the repayment date and Subordinated Loan Additional Amounts, if any, thereon.

"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 Subordinated Loan to the First Optional Repayment Date.

"Independent Investment Banker" means one of the Reference Treasury Dealers appointed by the Bank.

"Reference Treasury Dealer" means Credit Suisse Securities (USA) LLC, BBVA Securities or their respective affiliates which are primary United States government securities dealers and two other primary United States government securities dealers in New York City reasonably designated by the Bank; provided that, if any of the foregoing shall cease to be a primary Untied States government securities dealer in New York City (a "Primary Treasury Dealer"), the Bank will substitute therefore another Primary Treasury Dealer.

"Reference Treasury Dealer Quotation" means, with respect to each Reference Treasury Dealer and any repayment date, the average, as determined by the Indenture Trustee, 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 Indenture Trustee by such Reference Treasury Dealer at 3:30 pm New York City time on the third Business Day preceding such repayment date.

"Treasury Rate" means, with respect to any repayment date, the rate per annum 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 repayment date.

Early Repayment Upon a Withholding Tax Event

Upon the occurrence of a Withholding Tax Event, the Cayman Trustee must redeem the Notes if, and to the extent that, the Bank exercises its option to prepay the Subordinated Loan at any time prior to the First Optional

Repayment Date, in whole but not in part, in an amount equal to the Base Repayment Amount. Such option may only be exercised, and prepayment shall only be made, if, and to the extent required, the Bank shall have obtained the authorization from the SBS to effect such prepayment and upon satisfaction of other conditions required under the Subordinated Loan Agreement.

"Withholding Tax Event" means that, as a result of (i) any change in, amendment to or official pronouncement by a competent authority of the relevant jurisdiction with respect to, the laws (or any regulations or rulings issued thereunder) of Peru, the Cayman Islands or any jurisdiction from which payments are made by the Bank the Lender or any paying agent of the foregoing, including, in each case, 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, the Bank or the Lender has or will become obligated to pay Subordinated Loan Additional Amounts (as defined below) on or in respect of the Subordinated Loan or in connection with any participation of the Subordinated Loan or any funding or credit transaction in connection with such participation, which change or amendment becomes effective on or after the Funding Date of the Subordinated Loan, and which obligation the Bank or the Lender 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 Subordinated Loan Additional Amounts payable on the Subordinated Loan 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 Repayment Upon a Value Added Tax Event

Upon the occurrence of a Value Added Tax Event, the Cayman Trustee must redeem the Notes if, and to the extent that, the Bank exercises its option to prepay the Subordinated Loan at any time prior to the First Optional Repayment Date, in whole but not in part, in an amount equal to the higher of (a) the Base Repayment Amount and (b) the Make-Whole Amount. Such option to repay the Subordinated Loan may only be exercised, and prepayment shall only be made, if, and to the extent required, the Bank shall have obtained the authorization from the SBS to effect such repayment and upon satisfaction of other conditions requested under the Subordinated Loan Agreement.

"VAT Additional Amounts" means any Peruvian VAT (as defined below) that non-Peruvian holders of Notes may incur in respect of payments under the Notes. The Cayman Trustee will indemnify such holders from and against any such Peruvian VAT.

"Value Added Tax Event" means that on the next Interest Payment Date, the Bank 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, which, in each case, are that is payable with respect to the Subordinated Loan or in connection with any participation of the Subordinated Loan or any lending or credit transaction in connection with such participation, as a result of:

(i) a change in or amendment to the applicable laws or regulations of Peru;

(ii) a change in, or pronouncement by competent Peruvian authorities with respect to, the official application or official interpretation of such laws or regulations; or

(iii) an administrative action in Peru specifically against the Bank, which means any judicial decision or any official administrative pronouncement, ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to issue or adopt any administrative pronouncement, ruling, regulatory procedure or regulation),

in each case, which change, amendment or pronouncement becomes effective or administrative action is taken on or after the Funding Date, and the Bank 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 the Bank 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%.

Early Repayment Upon a Non-deductibility Tax Event

Upon the occurrence of a Non-deductibility Tax Event, the Cayman Trustee must redeem the Notes if, and to the extent that, the Bank exercises its option to prepay the Subordinated Loan at any time prior to the First Optional Repayment Date, in whole but not in part, in an amount equal to the higher of (a) the Base Repayment Amount and (b) the Make-Whole Amount. Such option may only be exercised, and prepayment shall only be made, if, and to the extent required, the Bank shall have obtained the authorization from the SBS to effect such repayment of the Subordinated Loan.

A "Non-deductibility Tax Event" means that, as a result of

(i) any change in, or amendment to, the laws (or any regulations or rulings issued thereunder) of Peru or any political subdivision thereof or any taxing authority therein;

(ii) any change in, or official pronouncement by competent Peruvian authorities with respect to, the application, administration or official interpretation of such laws, regulations or rulings, including, without limitation, the holding of a court of competent jurisdiction;

(iii) an administrative action in Peru specifically against the Bank, which means any judicial decision or any official administrative pronouncement, ruling, regulatory procedure, notice or announcement; or

(iv) a threatened challenge asserted in writing by competent Peruvian authorities in connection with an audit of the Bank or its subsidiaries,

in each case, which change, amendment or pronouncement becomes effective, administrative action is taken, announcement is issued, or threatened challenge is issued after the Funding Date of the Subordinated Loan, interest payments under the Subordinated Loan will cease to be allowable deductions for the purposes of income tax laws applicable to the Bank in Peru.

Voting Rights

General

The holders of the Notes will have the right (unless otherwise specifically provided in the Indenture) to direct the time, method and place of conducting any proceeding for any remedy available to the Indenture Trustee, or vote or direct the exercise of any trust or power conferred upon the Indenture Trustee under the Indenture, subject to the requirements that a tax opinion of United States nationally recognized outside tax counsel experienced in such matters to the effect that following such action, the Cayman Trustee will not be classified as an association (or a publicly traded partnership) taxable as a corporation for U.S. federal income tax purposes. Unless otherwise specified in the Indenture, all action to be taken by the holders of the Notes shall require the consent of holders of Notes holding more than 50% of the outstanding principal amount of the Notes (the "Required Noteholders").

Voting Rights with Respect to the Participation

Promptly upon receipt by the Cayman Trustee of written notice from the Administrative Agent of any action upon which the Cayman Trustee is indirectly entitled to exercise a right or remedy under the Subordinated Loan Agreement or the Subordinated Loan pursuant to the Participation Agreement, the Cayman Trustee will send written notification to the Indenture Trustee, and the Indenture Trustee will within five business days of the receipt of notice from the Cayman Trustee thereupon send to each holder of the Notes, a written notice that will contain (i) such information as is contained in such notice to the Cayman Trustee, (ii) a statement that the holders of the Notes at the close of business on a specified Record Date will be entitled, subject to any applicable provision of law or of the Indenture, to direct the Cayman Trustee (who would then direct the Lender) as to the exercise of such right or remedy and (iii) a brief statement as to the manner in which such specific directions may be given. Any notice that is mailed in the manner provided in the Indenture to a holder of the Notes will be conclusively presumed to have been duly given, whether or not the holder of the Notes receives such notice.

With respect to the exercise of any right or remedy under the Subordinated Loan Agreement or the Subordinated Loan that requires the consent of the Lender, upon receipt by the Cayman Trustee of specific written direction from the Required Noteholders approving the exercise of such right or remedy, the Cayman Trustee will promptly notify the Lender that it consents to such exercise and, to the extent necessary, the Lender shall so inform the Bank subject to such limitations on the obligation of the Lender to take action, or refrain from taking action, as are specified below in "— The Participation Agreement."

The Indenture Trustee and the Cayman Trustee will not take any such action in accordance with the directions of the holders of the Notes unless they have obtained an opinion of United States nationally recognized outside tax counsel experienced in such matters to the effect that such action will not result in the Trust being classified as an association (or a publicly traded partnership) taxable as a corporation for U.S. federal income tax purposes.

Modification of Transaction Documents

The Cayman Trustee has agreed pursuant to the Indenture that it shall consent to any amendment or modification of any Transaction Document to which it is a party only upon instruction by a majority of the holders of the Notes; *provided* that no such amendment or modification of any other Transaction Document (other than the Indenture, the amendment provisions of which are set forth below) to which the Cayman Trustee is a party shall (x) alter or amend the rights of the holders of the Notes to direct the Cayman Trustee to exercise a right or remedy thereunder, or institute suit in respect thereof, (y) release any portion of an interest thereunder or (z) reduce any amount required to be collected or retained by the Cayman Trustee, unless 100% of the holders of the outstanding Notes consent to such amendment or modification.

The Lender will provide written notice to the Cayman Trustee promptly of any and all matters relating to the Subordinated Loan, including any request by the Bank for amendment, waiver or consent or any other affirmative action it takes with respect to the Bank and the Subordinated Loan Agreement and the Subordinated Loan and at least ten Business Days prior to effectiveness of any such amendment, waiver or consent. Notwithstanding anything to the contrary therein, the Lender shall not declare any Event of Default or any modification of the terms of the Subordinated Loan Agreement and the Subordinated Loan without having first received directions from the Cayman Trustee, acting upon, as a result of the pledge described herein, as provided in the Indenture the directions of the holders of not less than a majority of the aggregate outstanding principal amount of the outstanding Notes, except that 100% of the holders of outstanding Notes shall be required to agree on any action that would (i) change the date for any payment under the Subordinated Loan or the Subordinated Loan Agreement, (ii) reduce the principal amount of, or rate of interest on, the Subordinated Loan, (iii) change the place or currency of any payments due under the Subordinated Loan or the Subordinated Loan Agreement, (iv) impair the right of the Lender to institute suit for enforcement of the Subordinated Loan or the Subordinated Loan Agreement, (v) reduce the percentage of holders of the notes required to consent to any of the foregoing or (vi) consent to waiver of any Event of Default under the Subordinated Loan or the Subordinated Loan Agreement relating to any of the actions set forth in clauses (i) through (v) above.

Modifications of the Indenture

The Indenture may be modified by the Cayman Trustee and the Indenture Trustee with the consent of the holders of a majority of the aggregate principal amount of the Notes then outstanding. The Cayman Trustee may amend the other Transaction Documents to which it is a party and the Bank (subject to the prior approval of the SBS, if required) may amend the Subordinated Loan Agreement subject to the procedures described above. However, no modification of the Indenture may, without the consent of the holder of each outstanding Note:

- change the maturity of any payment of principal of or any installment of interest on any Note;

- reduce the principal amount or the rate of interest, or change the method of computing the amount of principal or interest payable on any date;
- change any place of payment where the principal of or interest on the Notes is payable;
- change the coin or currency in which the principal of or interest on the Notes is payable;
- impair the right of the holders of the Notes to institute suit for the enforcement of any payment on or after the date due;
- release the security interest under the Indenture or waive any of the payment obligations of the Cayman Trustee that would otherwise be payable to the holders of the Notes;
- reduce the percentage in principal amount of the outstanding Notes, the consent of whose holders is required for any modification or the consent of whose holders is required for any waiver of compliance with certain provisions of the Indenture; or
- modify any of the provisions of certain sections of the Indenture except to increase any percentage or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of each holder of the Notes.

Following the receipt of the consent of the holder of each outstanding Note to any of the above, the Cayman Trustee may amend the other Transaction Documents to which it is a party and the Bank (subject to the prior approval of the SBS, if required) may amend the Subordinated Loan Agreement subject to the procedures described above.

Amendment to Transaction Documents Without Consent of Holders

Notwithstanding the foregoing, the Cayman Trustee is permitted pursuant to the Indenture to amend or modify any Transaction Document without the direction of the holders of the Notes and the Bank is permitted to amend or modify the Subordinated Loan Agreement and the Lender is permitted to modify the Participation Agreement without the direction of the holders of the Notes in order (i) to cure any ambiguity; (ii) to correct or supplement any provision in any Transaction Documents or in any amendment thereto that may be defective or inconsistent with any other provision of such other transaction documents or in any amendment to such other Transaction Documents; (iii) to conform to any change in the Investment Company Act or securities law or any change in interpretation or application of the rules and regulations promulgated thereunder by any legislative body, court, government agency or regulatory authority; (iv) to modify, eliminate or add to any provisions of such other Transaction Documents to such extent as shall be necessary to ensure that the Trust will not be classified as an association (or a publicly traded partnership) taxable as a corporation for U.S. federal income tax purposes; (v) to modify, eliminate and add to any provision of such other Transaction Documents to such extent as may be necessary or desirable; *provided* that such amendments do not have an adverse effect on the rights, preferences or privileges of the Cayman Trustee and, to the extent applicable, the Indenture Trustee and the holders of the Notes under such other Transaction Documents; or (vi) to make such other provisions in regard to matters or questions arising under such other Transaction Documents as the Cayman Trustee and, to the extent applicable, the Indenture Trustee and the holders of the Notes may deem necessary or desirable and which will not adversely affect the interests of the Cayman Trustee and, to the extent applicable, the Indenture Trustee and the holders of the Notes thereunder. Notwithstanding the foregoing, the Cayman Trustee has agreed in the Indenture that it shall not amend or waive any provision of any Transaction Document unless it has obtained an opinion of a United States nationally recognized outside tax counsel experienced in such matters to the effect that following such amendment, the Trust will not be classified as an association (or a publicly traded partnership) taxable as a corporation for U.S. federal income tax purposes.

Prior to the execution of any amendment to any Transaction Document, the Cayman Trustee will be entitled to receive an opinion of counsel as to whether such amendment is permitted by, and conforms to the requirements of, the Indenture or such other Transaction Document, as applicable, and any conditions precedent to such amendment shall have been satisfied.

As long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, any modification or supplement to the Indenture will be submitted to the Luxembourg Stock Exchange.

Limitations on Remedies

The obligations of the Cayman Trustee under the Notes and the Indenture are limited recourse obligations of the Cayman Trustee, payable solely from the Trust Assets. The Cayman Trustee will not sell or otherwise dispose of the Participation without the consent of all of the holders of the Notes. Following realization or collection of the Trust Assets and application of proceeds thereof in accordance with the terms of the Indenture, none of the holders of the Notes, the Indenture Trustee, the Cayman Trustee, the Lender or any of the other parties to the Transaction Documents will be entitled to take any further action to recover any sums due but remaining unpaid thereunder and all claims in respect of which will be extinguished.

No Personal Liability

The Cayman Trustee will represent and warrant in the Indenture that the Cayman Trustee is the legal and beneficial owner of the Participation and other Trust Assets free and clear of all liens and the Cayman Trustee has not made any other representation or warranty of any kind or assumed any responsibility with respect to (i) any statements, representations or warranties made by the Bank in or in connection with the Subordinated Loan Agreement or this offering circular, including the accuracy or completeness of the information set forth herein or in any other document used in connection therewith or herewith, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Subordinated Loan Agreement, (iii) the financial condition of the Bank or any of its subsidiaries or affiliates or any other person for the performance or observance by any such person of any of its obligations under any of the Transaction Documents entered into in connection with the issuance of the Notes or the making of the Subordinated Loan or any instrument or document furnished pursuant thereto or (iv) legality of the sale of the Notes for the effects of such sale.

In addition, there will be no recourse for the payment of any amount owing in respect of the Notes against any trustee, officer, director, employee or shareholder of the Cayman Trustee, the holders of the Notes, the Indenture Trustee, the Lender, the Administrative Agent, the initial purchasers, or any of their respective affiliates, any of their respective directors, officers, employees, agents or representatives, or any of their successors or assigns for any amounts payable under the Notes or the Transaction Documents. Each holder of the Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Neither the Cayman Trustee (other than in its capacity as trustee of the Trust and subject to the limited recourse provisions described herein) or the Indenture Trustee nor any successor trustee will be personally liable under any circumstances, except for its own bad faith, willful misconduct or gross negligence (as conclusively determined by a court of competent jurisdiction) or as otherwise provided in the Indenture.

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, unless the withholding or deduction of such Taxes is required by law or the official interpretation thereof, or by the administration thereof. Pursuant to the Subordinated Loan Agreement and to the Participation Agreement and subject to certain limitations as further described under "—The Participation Agreement—Expenses and Additional Amounts" and "—The Subordinated Loan Agreement—Payment of Additional Amounts," in the event that the laws of Peru, the United States or the Cayman Islands or any other jurisdiction from which payments are made by the Bank, the Lender or the Cayman Trustee in respect of the Subordinated Loan Agreement and the Notes, including in each case, any political subdivision thereof, impose any withholding or similar tax on payments or distributions by the Cayman Trustee to the holders of the Notes, on amounts received by the Cayman Trustee, indirectly or directly from the Lender or the Bank, or certain other taxes, duties, assessments or governmental charges, then upon notice by the Cayman Trustee to the Lender and by the Lender to the Bank, additional amounts will be transferred to the Cayman Trustee, for payment over to the Indenture

Trustee on behalf of the holders of the Notes, in an amount (the "Notes Additional Amounts") sufficient to provide the holders of the Notes with aggregate amounts equal to the amounts that the holders of the Notes would have received had no such taxes been imposed.

The Cayman Trustee will comply with all applicable withholding tax requirements (including, without limitation, any United States backup withholding tax requirements). The holders of the Notes will be obligated to provide the Cayman Trustee with such forms or other documentation necessary to establish an exemption from withholding and backup withholding tax with respect to each holder of the Notes, and any representations, forms and documents as shall reasonably be requested by the Cayman Trustee to assist it in determining the extent of, and in fulfilling, its withholding and backup withholding tax obligations, which shall include applicable IRS Form W-8 and W-9 as discussed under "Taxation — United States Federal Income Taxation." The Cayman Trustee will file (or cause to be filed) any required forms with all applicable tax authorities and, unless an exemption from withholding and backup withholding tax is properly established by a holder of the Notes, will remit amounts withheld with respect to the holder of the Notes to the applicable tax authorities. However, to the extent that the Cayman Trustee is required to withhold and pay over any amounts (including taxes, interest, penalties, assessments or additions to tax) to any tax authority with respect to distributions or allocations to any holder of a Note, the amount withheld will be treated as a distribution of cash to the holder of the Notes in the amount of the withholding and will thereby reduce the amount of cash otherwise distributable to the holder of the Notes. If an amount required to be withheld was not withheld, the Cayman Trustee may reduce subsequent distributions by the amount of such required withholding. As provided above under "— Additional Amounts," and subject to certain limitations as described under "—The Participation Agreement—Expenses and Additional Amounts" and "—The Subordinated Loan Agreement—Expenses." Under the Participation Agreement, the Cayman Trustee shall receive payments of certain additional amounts in respect of any such taxes in an amount sufficient to provide the holders of the Notes with aggregate amounts equal to the amounts that such holders would have received had no such tax been imposed. The Cayman Trustee will provide required notifications under the terms of the Participation Agreement that such additional amounts are payable and promptly upon receipt thereof, will cause such additional amounts to be paid over to holders of the Notes in the manner described above.

The Cayman Trustee will treat for U.S. federal income tax purposes the Notes as ownership interests in the Subordinated Loan with the Trust serving as a mere security arrangement that facilitates and secures payment of principal, interest and other amounts due under the Subordinated Loan pursuant to the Participation Agreement to holders of the Notes.

Events of Default; Acceleration

There are no events of default under the Notes. The Subordinated Loan Agreement, however, contains limited events which may trigger an Event of Default and acceleration of the Subordinated Loan Agreement and Subordinated Loan. Upon any such acceleration (including any acceleration arising out of the insolvency or similar events relating to the Bank), the Administrative Agent shall notify the Cayman Trustee, who will in turn notify the Indenture Trustee, who will then give notice to the holders of the Notes. See "—Covenants —Notice of Certain Events" and "—The Subordinated Loan Agreement—Events of Default."

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 Euro MTF market of 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 *Luxemburger Wort*) or on the website of the Luxembourg Stock Exchange (*www. bourse.lu*). Any such notice will 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. So long as DTC, or its nominee, is the registered holder of the Global Notes, each person owning a beneficial interest in a Global Note must rely on the procedures of DTC to receive notices provided to DTC. Each person owning a beneficial interest in a Global Note who is not a participant in DTC must rely on the procedures of the participant through which the person owns its interest in the Global Note to receive notices provided to DTC.

Form, Denomination and Registration of Notes

Upon issuance, the notes will be represented by beneficial interests in one or more Global Notes. Each Global Note will be deposited with the paying agent as custodian for DTC and registered in the name of Cede & Co., as nominee of DTC. Except under the circumstances described below, Global Notes will not be exchangeable at the option of the holder for certificated notes and Global Notes will not otherwise be issuable in definitive form.

Upon issuance of the Global Notes, DTC will credit the respective principal amounts of the notes represented by the Global Notes to the accounts of institutions that have accounts with DTC or its nominee (called participants of DTC). The accounts to be credited shall be designated by the initial purchasers. Ownership of beneficial interests in the Global Notes will be limited to participants or persons that may hold interests through participants. Ownership of beneficial interest in the Global Notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to participants' interests) or by participants or persons that hold through participants. Such beneficial interest shall be in denominations of $100,000 and in multiples of $1,000 in excess thereof.

The Notes are being offered and sold in this initial offering (1) in the United States solely to investors that are both QIBs under Rule 144A under the Securities Act and Qualified Purchasers as defined in Section 2(a)(51)(A) of the Investment Company Act or (2) 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 this offering, the Notes may be sold:

- to investors that are both QIBs under Rule 144A and Qualified Purchasers under the Investment Company Act;
- to non-U.S. persons outside the United States in reliance on Regulation S; and
- under other exemptions from, or in transactions not subject to, the registration requirements of the Securities Act, so long as any such transferee that is a U.S. person is also a Qualified Purchaser, as described under "Transfer Restrictions."

The Notes offered and sold to investors that are both QIBs and Qualified Purchasers in reliance on Rule 144A will be issued in the form of interests in a Rule 144A Global Note.

The Notes offered and sold in offshore transactions to persons which are non-U.S. persons in reliance on Regulation S will be issued in the form a Regulation S Global Note. Prior to the 40th day after the date of original issuance of the Notes, any resale or transfer of beneficial interests in the Regulation S Global Note to U.S. persons will not be permitted unless such resale or transfer is made pursuant to Rule 144A or Regulation S.

To enforce the restrictions on transfers of interests in the Notes, the Indenture will permit the Indenture Trustee to demand that (i) the beneficial owner sell to a beneficial owner permitted under the Indenture any interest in a Rule 144A Global Note held by a U.S. person who is determined not to have been both a Qualified Purchaser and a QIB at the time of acquisition of such Note and (ii) the beneficial owner sell to a beneficial owner permitted under the Indenture any interest in a Regulation S Global Note held by a beneficial owner who is determined to be a U.S. person. In either case, if the beneficial owner does not comply with such demand within 30 days therefore, the Indenture Trustee may sell such beneficial owner's interest in the Note.

Investors may hold their interest in a Global Note representing the Notes through organizations that are participants in DTC (including Euroclear or Clearstream, Luxembourg).

Exchanges Between the Global Notes

Transfers by an owner of a beneficial interest in a Regulation S Global Note to a transferee who takes delivery of that interest through a Note offered and sold in the United States to investors that are both QIBs and Qualified Purchasers pursuant to Rule 144A Global Note will be made only in accordance with applicable procedures and upon receipt by the Indenture Trustee of a written certification from the transferee of the beneficial interest in the form provided in the Indenture to the effect that the transfer is being made to an investor that is both a QIB and a Qualified Purchaser within the meaning of Rule 144A in a transaction completing the requirements of Rule 144A.

Transfers by an owner of a beneficial interest in a Rule 144A Global Note to a transferee who takes delivery of the interest through a Regulation S Global Note will be made only upon receipt by the Indenture Trustee of a certification from the transferor that the transfer is being made outside the United States to a non-U.S. person in accordance with Regulation S or, if so available, Rule 144A under the Securities Act.

Any beneficial interest in 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 that Global Note and become an interest in the other Global Note and, accordingly, will then be subject to any transfer restrictions and other procedures applicable to beneficial interests in the other Global Note.

DTC

DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the United States Securities Exchange Act of 1934, as amended and in effect from time to time (the "Exchange Act").

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of transactions between its participants through electronic book entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. DTC participants include the initial purchasers, the U.S. depositaries, the principal payment agent, securities brokers and dealers, banks, trust companies and clearing corporations and may in the future include certain other organizations. Indirect access to the DTC system is also available to others that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly ("indirect participants").

Although DTC has agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants of DTC, it is under no obligation to perform such procedures, and such procedures may be discontinued at any time. Accordingly, the Cayman Trustee, the Indenture Trustee and any paying agent, registrar and transfer agent will have no responsibility or liability for:

- any aspect of DTC's records relating to, or payments made on account of, beneficial ownership interests in a Note represented by a Global Note;

- any other aspect of the relationship between DTC, and its participants or the relationship between those participants and the owners of beneficial interests in a Global Note held through those participants; or

- the maintenance, supervision or review of any of DTC's records relating to those beneficial ownership interests.

Transfers of ownership or other interests in Global Notes in DTC may be made only through DTC participants.

Book-Entry Procedures for the Global Notes

So long as DTC, or its nominee, is the registered owner or holder of the Global Notes, DTC or its nominee, as the case may be, will be considered the sole owner and holder of the Global Notes for all purposes under the indenture.

Except as set forth below, owners of beneficial interests in the Global Notes:

- will not be entitled to have the notes represented by the Global Notes registered in their names, and

- will not receive or be entitled to receive physical delivery of notes in definitive form and will not be considered the owners or holders thereof under the indenture.

Accordingly, each person owning a beneficial interest in the Global Notes must rely on the procedures of DTC, and, if such person is not a participant on the procedures of the participant through which such person owns its interest, to exercise any rights of a holder under the indenture.

Principal and interest payments on Global Notes registered in the name of or held by DTC or its nominee will be made to DTC or its nominee, as the case may be, as the registered owner of the Global Note. Neither the Cayman Trustee nor the paying agent for such Global Note will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Cayman Trustee expects that DTC, upon receipt of any payments of principal or interest in respect of the Global Notes, will credit the accounts of the related participants, with payments in amounts proportionate to their respective beneficial interests in the principal amount of the Global Notes as shown on the records of DTC. Payments by participants to owners of a beneficial interest in the Global Notes held through such participants will be the responsibility of the participants, as is now the case with securities held for the accounts of customers in bearer form or registered in "street name."

Unless and until it is exchanged in whole or in part for notes in definitive form in accordance with the terms of the indenture, a Global Note may not be transferred except as a whole by the depositary to a nominee of the depositary or by a nominee of DTC to DTC or another nominee of DTC.

Exchange of Global Notes for Definitive Notes

The Notes represented by a Global Note can be exchanged for definitive Notes of the same series in registered form only if:

- DTC notifies the Cayman Trustee that it is unwilling or unable to continue as depositary for that Global Note or at any time DTC ceases to be a clearing agency registered under the Exchange Act, and a successor depositary is not appointed by us within 90 calendar days; or the Cayman Trustee, in its sole discretion, determine that such Global Note will be exchangeable for definitive Notes in registered form and notify the trustee of its decision.

- A Global Note representing the Notes that can be exchanged under the preceding sentence will be exchanged for definitive Notes that are issued in authorized denominations in registered form for the same aggregate amount. Those definitive Notes will be registered in the names of the owners of the beneficial interests in the relevant Global Note as directed by DTC and may bear the legend as set forth under "Transfer Restrictions.

Any Global Note that is exchangeable for definitive notes pursuant to the preceding sentence shall be exchangeable for notes issuable in minimum denominations of U.S.$100,000 and in integral multiples of U.S.$1,000 in excess thereof. Any Global Note exchanged for definitive notes will be registered in such names as DTC shall direct. Subject to the foregoing, a Global Note shall not be exchangeable, except for a Global Note of like denomination to be registered in the name of DTC or its nominee. Bearer notes will not be issued.

In the event that definitive notes are issued, until, in the Cayman Trustee's sole opinion, such measures are no longer necessary or appropriate to cause the Cayman Trustee not to become subject to the registration requirements of the Investment Company Act, the Cayman Trustee will require that holders of definitive notes certify periodically as to their status as either (i) non-U.S. Persons or (ii) U.S. Persons who are both QIBs and Qualified Purchasers, purchasing for their own account or the account of a U.S. Person who is both a QIB and a Qualified Purchaser in a transaction meeting the requirements of Rule 144A in accordance with all applicable laws of the United States and other jurisdictions, and who meet all of the requirements and have made the agreements necessary to cause the Cayman Trustee not to become subject to the registration requirements of the Investment Company Act.

Replacement, Transfer and Exchange

If any Note at any time is mutilated, defaced, lost, destroyed or stolen, then on the terms set forth in the Indenture, such Note may be replaced at the cost of the applicant (including legal fees of the Cayman Trustee, the Indenture Trustee, and the paying agent) at the office of the Indenture Trustee or the Luxembourg Transfer Agent. The applicant for a new Note will, in the case of any mutilated or defaced Note, surrender such Note to the Indenture Trustee and, in the case of any lost, destroyed or stolen Note, furnish evidence satisfactory to the Indenture Trustee of such loss, destruction or theft, and, in each case, furnish evidence satisfactory to the Indenture Trustee of the ownership and authenticity of a Note together with such indemnity as the Cayman Trustee and the Indenture Trustee may require.

Initially, the Indenture Trustee will act as the note registrar and Notes may be presented for registration of transfer and exchange at the offices of the note registrar with a written instruction of transfer in form satisfactory to the note registrar, duly executed by such holder of the Notes or by such holder's attorney, duly authorized in writing. Such holder of the Notes will also provide a written certificate to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See "Notice to Investors."

Notwithstanding the foregoing, the Cayman Trustee is not required to transfer or exchange any Notes selected for repurchase. Nor is the Cayman Trustee required to transfer or exchange any Note between a Record Date and the next succeeding Note Distribution Date.

The registered holder of a Note will be treated as its owner for all purposes.

Covenants

For so long as any of the Notes are outstanding and the Cayman Trustee has obligations under the Indenture and the Notes, the Cayman Trustee will comply with the terms of the covenants set forth below:

Payment Obligations under the Notes and the Indenture

The Cayman Trustee shall duly and punctually pay all amounts owed by it, and comply with all its other obligations, under the terms of the Notes and the Indenture.

Performance Obligations under the Transaction Documents

The Cayman Trustee has agreed to duly and punctually perform, comply with and observe all obligations and agreements to be performed by it set forth in the Indenture, the Notes and the Participation Agreement and the DTC letter of representations completed by the Cayman Trustee and/or the Indenture Trustee in connection with the Notes.

Maintenance of Existence

The Cayman Trustee will, to the maximum extent permitted by law, maintain in effect its existence as an exempted company incorporated with limited liability in the Cayman Islands and registered as a controlled-subsidiary of Maples Finance Limited and trustee of the Trust, and all registrations necessary therefor and take all actions to maintain all rights, privileges, titles to property, franchises and the like necessary or desirable in the normal conduct of its business, activities or operations, provided, however, that this covenant shall not require the Cayman Trustee to maintain any such right, privilege, title to property, franchise or the like as a trustee, if the failure to do so does not, and will not, have a material adverse effect on the Trust or have a material adverse effect on the rights of the holders of the Notes.

Compliance with Laws

The Cayman Trustee will, to the maximum extent permitted by law, comply at all times with all applicable laws, rules, regulations, orders and directives of any government or government agency or authority having jurisdiction over the Trust, the Trust's business or any of the transactions contemplated herein, except where the failure by the Cayman Trustee to comply would not have a material adverse effect on the Trust or have a material adverse effect on the rights of the holders of the Notes.

Limitation on Nature of Business

The Cayman Trustee is not permitted to engage in any lines of business other than (i) holding the Participation and issuing the Notes and other matters described under "The Trust," (ii) those matters that are reasonably related and ancillary to the ownership of, and enforcement of the Cayman Trustee's rights with respect to, the same.

Maintenance of Government Approvals

The Cayman Trustee will, to the maximum extent permitted by law, duly obtain and maintain in full force and effect all governmental approvals, consents or licenses of any government or governmental agency or authority under the laws of the Cayman Islands or any other jurisdiction having jurisdiction over the Trust or necessary in all cases for the Cayman Trustee to perform its obligations under the transaction documents (including, without limitation, any authorization required to obtain and transfer U.S. dollars or any other currency which at that time is legal tender in the United States out of the Cayman Islands in connection with the Notes, the Indenture, the Participation Agreement and the Trust Deed) or for the validity or enforceability thereof, except where the failure to do so would not have a material adverse effect on the Trust or have a material adverse effect on the rights of the holders of the Notes.

Payments of Taxes and Other Claims

Subject to receipt of funds by the Lender under the Participation Agreement, the Cayman Trustee will pay or discharge or cause to be paid or discharged, before the same shall become delinquent, all taxes, assessments and governmental charges levied or imposed upon the Trust; *provided*, *however*, that the Cayman Trustee will not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith and, if appropriate, by appropriate legal proceedings or where the failure to do so would not have a material adverse effect on the Trust or have a material adverse effect on the rights of the holders of the Notes.

Maintenance of Books and Records

The Cayman Trustee shall maintain books, accounts and records in all material respects in accordance with applicable law.

Maintenance of Office or Agency

The Cayman Trustee, acting on behalf of the Trust, shall maintain an office or agency in the Borough of Manhattan, The City of New York, where notices to and demands upon the Cayman Trustee in respect of the Indenture and the Notes may be served. Initially this office will be at the offices of CT Corporation System located at 111 Eighth Avenue, New York, NY 10011, and the Cayman Trustee has agreed not to change the designation of such office without prior notice to the Indenture Trustee and designation of a replacement office in the same general location.

Ranking

The Cayman Trustee will ensure that the Notes will constitute direct, secured, limited recourse and unsubordinated obligations of the Cayman Trustee and will rank at least *pari passu*, without any preferences among themselves, with all other present and future obligations of the Cayman Trustee (other than obligations preferred by statute or by operation of law).

Notice of Certain Events

Subject to receiving notice from the Lender, the Cayman Trustee will give notice to the Indenture Trustee, as soon as is practicable and in any event within ten calendar days after the Cayman Trustee becomes aware or should reasonably become aware, of the occurrence of any Event of Default under the Subordinated Loan, accompanied by a certificate setting forth the details, if any, received by the Lender from the Bank with respect to such Default stating what action the Bank has proposed to take with respect thereto.

Limitation on Subsidiaries or Consolidations, Mergers, Sales or Conveyances

The Cayman Trustee will not establish or acquire any subsidiaries or in one or a series of transactions, consolidate or amalgamate with or merge into any corporation or convey, lease or transfer all or substantially all of its properties or assets to any person or permit any person to merge with or into it or acquire any assets of any kind other than the Trust Assets.

Limitation on Indebtedness and Liens

The Cayman Trustee will not issue, assume or guarantee any obligations or indebtedness of any kind or nature whatsoever or grant any lien, pledge, charge, security interest or encumbrance of any kind or nature on any of the Trust Assets except as required under the Indenture.

No Liquidation or Termination without Consent

To the extent applicable, the Cayman Trustee shall not terminate or commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect, or seek the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or make a general assignment or conveyance for the benefit of creditors, or take any corporate action to authorize any of the foregoing without the unanimous consent of the holders of the Notes. Insofar as the Trust operates through the Cayman Trustee, the Cayman Trustee has agreed to refrain from taking any of the foregoing actions unless and until a successor trustee has assumed the obligations of the Cayman Trustee with respect to the Trust, including any obligations under the Indenture.

Limitations on Sale and Lease-Back Transactions

The Cayman Trustee will not enter into any sale and lease-back transaction with respect to any of the Trust Assets.

Provision of Financial Statements and Reports

Within 60 days after the end of each of the first three fiscal quarters of each fiscal year of the Bank and 120 days after the end of each fiscal year of the Bank, the Bank shall provide to the Administrative Agent (for further delivery to the Lender and the Cayman Trustee) copies of its unaudited Peruvian GAAP (with respect to financial statements delivered after the end of the first three fiscal quarters) or 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.

Promptly, and in any event, within five business days after a responsible officer of the Cayman Trustee, acting on behalf of the Trust, has actual notice from the Administrative Agent of an Event of Default under the

Subordinated Loan, the Cayman Trustee will furnish written notice of the same to the Indenture Trustee who promptly will mail holders of the Notes a notice of the event or condition that caused the Event of Default, specifically stating that such event or condition has occurred and describing it and any action being or proposed to be taken by the Bank with respect thereto.

For as long as the Notes are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, the Cayman Trustee will, to the extent required, furnish to any holder of Notes holding an interest in a Rue 144A Global Note, or to any prospective purchaser designated by such holder of Notes, upon request of such holder of Notes, financial and other information described in paragraph (d)(4) of Rule 144A with respect to the Bank (as received from the Administrative Agent) to the extent required in order to permit such holder of Notes to comply with Rule 144A with respect to any resale of its Note, unless during that time, the Bank is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, or is exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act and no such information about the Bank is otherwise required pursuant to Rule 144A. The Administrative Agent shall provide the Cayman Trustee, who will in turn provide the Indenture Trustee, with comparable information to the extent the holders of the Notes require the same in order to resell their Notes in compliance with Rule 144A.

In addition, in the event the Cayman Trustee shall be required under the laws of the Cayman Islands to prepare any financial statements or reports or shall publish or otherwise make such statements or reports publicly available, the Cayman Trustee shall promptly furnish a copy of such statements or reports to the Indenture Trustee for delivery to the holders of the Notes. It is not expected that the Cayman Trustee will prepare any such financial statements and reports under Cayman Islands law and the only reports or information to be furnished by the Cayman Trustee to the Indenture Trustee will be reports, financial statements or other materials provided for under the Indenture and reports, financial statements and other materials relating to the Bank, the Subordinated Loan Agreement and the Subordinated Loan as are received by the Administrative Agent and furnished to the Cayman Trustee pursuant to the Participation Agreement.

Defeasance and Covenant Defeasance

The Notes are not subject to defeasance or covenant defeasance.

The Indenture Trustee

The Bank of New York Mellon is the Indenture Trustee under the Indenture and has been appointed by the Cayman Trustee as registrar and paying agent with respect to the Notes. The Cayman Trustee and the Indenture Trustee may have normal banking relationships with the Borrower in the ordinary course of business. The address of the Indenture Trustee is 101 Barclay Street, 4E, New York, New York 10286.

In case at any time any of the following shall occur with respect to any Notes:

- the Indenture Trustee shall fail to comply with the provisions of the United States Trust Indenture Act of 1939, as amended, regarding the disqualification of the Indenture Trustee after written request by the Issuer or by any holder of Notes who has been a bona fide holder of Notes for at least six months,

- the Indenture Trustee shall cease to be eligible to be the Indenture Trustee under the Indenture and shall fail to resign after written request therefore by the Issuer or by any holder of Notes, or

- the Indenture Trustee shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or a receiver of the Indenture Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Indenture Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation;

then, in any such case, (A) the Cayman Trustee acting at the direction of the Administrative Agent who, in turn is acting at the direction of the Bank, may remove the Indenture Trustee, and appoint a successor trustee, or (B) subject to the requirements of Section 315(e) of the Trust Indenture Act, any holder of Notes who has been a bona fide holder of Notes for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Indenture Trustee and the appointment of a successor Indenture Trustee.

Registrar, Transfer Agent and Paying Agents

The Cayman Trustee has initially appointed The Bank of New York Mellon as Paying Agent, Registrar and Transfer Agent. The Cayman Trustee may at any time appoint new paying agents, transfer agents and registrars. However, the Cayman Trustee will at all times maintain a paying agent in New York City until the Notes are paid. The Cayman Trustee has initially appointed The Bank of New York Mellon (Luxembourg), S.A. as Luxembourg Paying Agent. The Cayman Trustee will provide prompt notice of the termination, appointment or change in the office of any paying agent, transfer agent or registrar acting in connection with the Notes.

The Subordinated Loan Agreement

General

Pursuant to the terms of the Subordinated Loan Agreement, dated as of October 7, 2010, among the Lender and the Bank, the Lender agreed to make the Subordinated Loan on the closing date for the issuance of the Notes (the "Disbursement Date") in the aggregate principal amount of US$200,000,000, maturing on October 7, 2040. Subject to the prior approval of the SBS, the Bank may increase the amount of the Subordinated Loan.

The Subordinated Loan is not subject to being repaid and reborrowed as is the case in a revolving loan arrangement and once repaid may not be reborrowed. The Subordinated Loan is not secured by any collateral.

It is the intention of the Bank that the Subordinated Loan will constitute a permanent part of its capital structure. Accordingly, the Bank intends to repay the Subordinated Loan with proceeds of a further subordinated loan or with proceeds raised through the issuance of subordinated debt, in each case, on comparable terms with the Subordinated Loan, within a period of six months prior to the repayment of the Subordinated Loan.

Except as provided below, the provisions of the Subordinated Loan Agreement, including, without limitation, with respect to (i) the applicable interest under the Subordinated Loan, (ii) the optional and mandatory cancellation of interest payments under the Subordinated Loan, and (iii) the events upon which the Bank has the option to repay the Subordinated Loan, are substantially equivalent to the relevant provisions of the Indenture with respect to the Notes, as described above under "—The Note Interest", "—Limitations on Interest" and "—Redemption Events."

Ranking

The Subordinated Loan constitutes unsecured, subordinated obligations of the Bank and will not be insured or benefit from any contractual support agreement. In the event of the Bank's bankruptcy, insolvency, liquidation, dissolution, winding up or equivalent proceeding under Peruvian law, all claims under the Subordinated Loan will rank:

- junior in right of payment to the payment of all of the Bank's Senior Debt;
- *pari passu* in right of payment with the Bank's Parity Securities; and
- senior in right of payment to the payment of the Bank's Junior Securities.

In addition, upon (x) a temporary supervision (*vigilancia*) where the Bank continues to operate under the supervision of the SBS, or (y) a definitive intervention (*intervención*) where the SBS suspends the Bank's operations pending its dissolution and liquidation, and provided that all the Capital Stock of the Bank has been used to absorb losses, the SBS may order the Bank to use the interest and principal, in that order, of the Subordinated Loan to absorb losses.

"Senior Debt" means (a) all labor claims; (b) all claims for deposits and other types of saving instruments issued by the Bank, in the portion not covered by the *Fondo de Seguro de Depósitos*; (c) all claims for taxes and claims by the Peruvian social security administration (*EsSalud*) related to health care benefits for which the Bank is responsible as employer; and (d) all claims for unsecured and non-privileged credits against the Bank together with the legal interests on the Bank's obligations that may accrue during the liquidation, except those whose claims rank, or are expressed to rank, *pari passu* with or junior to, the claims of the holders of Parity Securities.

"Parity Securities" means (a) all securities and subordinated obligations of the Bank that qualify as Tier 1 Regulatory Capital other than Junior Securities; and (b) any other securities or obligations of the Bank which rank or are expressed to rank, *pari passu*, with the Banks obligations under the Subordinated Loan.

"Junior Securities" means all classes of shares of Capital Stock, including preferred shares, issued by the Bank.

Limitation on Restricted Payments

In the event that interest on the Subordinated Loan is not paid in full when scheduled on any Interest Payment Date due to a Mandatory Cancellation of Interest or an Optional Cancellation of Interest, the Bank will not, and will cause its subsidiaries not to, make or do any of the following (each, a "Restricted Payment") until such time as payments of interest on the Subordinated Loan have been resumed in full and, in the case of a mandatory cancellation of interest payments or an optional cancellation of interest payments under the Subordinated Loan Agreement, payments of interest on the Subordinated Loan have been resumed in full for a period equivalent to twelve consecutive months:

(i) the Bank declares, pays or distributes a dividend or makes a payment on, or in respect of, any of its Junior Securities, other than dividends or payments in the form of Junior Securities;

(ii) the Bank or any of its Subsidiaries redeems, purchases or otherwise acquires for any consideration any of the Bank's Parity Securities, other than by conversion into or in exchange for the Bank's Junior Securities or pursuant to a mandatory redemption;

(iii) any of the Bank's Subsidiaries declares, pays or distributes a dividend or makes a payment on, or in respect of, any of its Capital Stock, other than (a) dividends or payments payable to the Bank or, if not a Wholly-Owned Subsidiary, on a pro rata basis to minority holders of its common shares; or, (b) by conversion into or in exchange of such Subsidiary's Capital Stock into another series or class of its Capital Stock;

(iv) the Bank or any of its Subsidiaries redeems, purchases or otherwise acquires for any consideration any of the Bank's Junior Securities, other than by conversion into or in exchange of the Bank's other Junior Securities;

(v) any of the Bank's Subsidiaries redeems, purchases or otherwise acquires for any consideration any of its Capital Stock not held by the Bank, other than by conversion into or in exchange of such Subsidiary's Capital Stock into another series or class of its Capital Stock; or

(vi) the Bank declares, pays or distributes a divided or makes a payment on, or in respect of, any of its Parity Securities, other than dividends or payments in the form of its Junior Securities;

provided, *however*, that with respect to clauses (i) through (vi) above, the following shall not constitute a Restricted Payment: (A) in connection with transactions effected by or for the Bank's customers or customers of the Bank's Subsidiaries or in connection with interest, trading or market making activities in respect of those securities; (B) as a result of the reclassification of the Bank's capital stock or the capital stock of any of its subsidiaries or the exchange or conversion of one class or series of capital stock for another class or series of capital stock; or (C) the purchase of fractional interests of shares of the Bank's capital stock or the stock of any of its subsidiaries pursuant to the conversion or exchange provisions of that capital stock (or the security being converted or exchanged).

"Capital Stock" means, with respect to any Person, any and all shares, interests, participations, warrants, options, rights or other equivalents of or interests in (however designated and whether voting or non-voting) corporate stock of a corporation and any and all equivalent ownership interests in a Person (other than a corporation), in each case whether now outstanding or hereafter issued, including any preferred stock.

"Person" means any individual, corporation (including a business trust), limited liability company, partnership, joint venture, association, joint stock company, trust, unincorporated organization or other entity, or government or any agency or political subdivision thereof.

"Subsidiary" means, with respect to any Person, any corporation, association or other business entity of which more than 50% of the voting power of the Capital Stock thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of such Person or a combination thereof.

"Wholly-Owned Subsidiary" means, with respect to any Person, a Subsidiary of such Person all of the Capital Stock of which (other than directors' qualifying shares) is owned by such Person or another Wholly-owned Subsidiary of such Person.

In the event of a breach of the Bank's covenant not to make or cause any of the above actions or of any other obligations under the Subordinated Loan Agreement (other than a breach that results in an Acceleration Event as described below under "—Events of Default"), the Lender would not be entitled to accelerate or institute bankruptcy proceedings and would only be entitled to rights and remedies provided under New York and Peruvian law, as applicable, which may be very limited.

Payment of Additional Amounts

All payments under the Subordinated Loan will be made free and clear of, and without any deduction or withholding for, any current or future taxes, duties, assessments or governmental charges of Peru, the Cayman Islands or any jurisdiction from which payments are made, except as may be required by applicable law, *provided*, *however* that the obligation to pay Peruvian withholding income tax applicable to interest payments in respect of the Subordinated Loan has been assumed by the Bank. Subject to certain limitations set forth in the Subordinated Loan Agreement, in the event that any such taxes, duties, assessments or governmental charges are payable in any of the above jurisdictions, the sum payable by the Bank will include such additional amounts (the "Subordinated Loan Additional Amounts") and VAT Additional Amounts, if any, necessary to ensure that the Lender receives the same amount as they would have received without such withholding or deduction.

Expenses

The Bank has agreed to pay or reimburse the Lender for all costs and expenses incurred by the Lender in connection with the transfer of a participation under the terms of the Subordinated Loan Agreement, such as the Participation. See below "—The Participation Agreement—Expenses and Additional Amounts."

Events of Default

The Subordinated Loan may become immediately due and repayable (subject to the prior written approval of the SBS, unless such prior approval is no longer required on the relevant date) at par, together with accrued interest and other amounts due thereunder, if any of the following events (each an "Event of Default") shall have occurred and be continuing and receipt of the prior written approval of the SBS, unless such prior approval is no longer required on the relevant date:

- *Failure to Pay*. The Bank fails to pay, (i) after having exercised the option to repay the Subordinated Loan on or after the First Optional Repayment Date any amount of principal plus accrued and unpaid interest in respect of the current interest period to (but excluding) the repayment date and Subordinated Loan Additional Amounts, if any or (ii) after having exercised the option to repay the Subordinated Loan upon occurrence of a Special Event Repayment, the applicable amount due pursuant to the terms of the Subordinated Loan Agreement, in each case, within ten days after any such option is exercised, in the currency and in the manner specified in the Subordinated Loan Agreement; or

- *Insolvency or Intervention*. The Bank (i) applies for or consents to the appointment of, or the taking of possession by, a receiver, custodian, trustee, examiner or liquidator of itself or of all or a substantial part of its property, (ii) makes a general assignment for the benefit of its creditors, (iii) files a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, suspension of payments, liquidation, dissolution, arrangement or winding-up, or composition or readjustment of debts, (iv) is subject to an intervention regime or (v) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts described above.

The payment of principal under the Subordinated Loan may be accelerated only upon the occurrence of an Event of Default and receipt of the prior written approval of the SBS, unless such prior approval is no longer required on the relevant date. There is no right of acceleration of the Subordinated Loan upon the occurrence of any other event, including a default in the payment of principal or interest.

In the event that the Bank becomes subject to a definitive intervention regime (*intervención*), the rate at which interest will accrue on the Subordinated Loan (to the extent the outstanding amounts of the Subordinated Loan have not been used to absorb losses) during the intervention and subsequent liquidation process will be limited to the legal interest rate determined by the Peruvian Central Bank from time to time.

Loss Absorption

Under the Peruvian Banking Law, and regulations promulgated thereunder, the SBS may decree that the principal amount and/or interest on the Subordinated Loan be used to absorb losses of the Bank even if the Bank has not ceased to operate. Any such absorption of losses with respect to the Subordinated Loan would occur after all of the Bank's legal and voluntary reserves as well as its capital stock have been used to absorb losses. The SBS may take this action in the absence of any Intervention or liquidation or other similar legal proceeding.

"Intervention" means the definitive intervention regime (*regimen de intervención*) imposed by the SBS on a Peruvian bank upon the occurrence of the events described in Article 104 of the Peruvian Banking Law, as the same may be amended, restated, supplemented or replaced from time to time.

Assignments

The Lender's interest in the Subordinated Loan Agreement, the Subordinated Loan and all rights related thereto may not be assigned to any person except if the Cayman Trustee provides directions to the Lender the effectuation of which would, in the opinion of the Lender, be inconsistent with the Lender's corporate policies or otherwise (as described under "—The Participation Agreement—Assignment of Rights and Obligations under the Subordinated Loan Agreement") or in the event that it becomes illegal for the Lender to maintain the Subordinated Loan, then the Lender may transfer and assign its rights to any other person or entity, including the Cayman Trustee; *provided*, *however*, that (a) the Lender has given the Bank 60 days prior notice of its intention to effect an assignment contemplated herein, and (b) the Lender has used commercially reasonable efforts to identify and assign the foregoing to another financial institution under applicable Peruvian law that will not result in the loss of any exemption or benefit or in an increase, on a going forward basis, of the amount of tax withholding on payments by the Bank under the Subordinated Loan Agreement, the Subordinated Loan, all as reasonably determined by the Lender acting in good faith after consultation with the Bank.

Upon any such assignment described above, payments of interest on the Subordinated Loan may become subject to withholding tax and Peruvian VAT and may be subject to an Optional Redemption by the Bank, upon which the Trust shall mandatorily redeem the Notes (see above "—Note Redemption Events"), and the Lender shall have no further responsibility to the Cayman Trustee or the holders of the Notes with respect to any matter relating to the Subordinated Loan.

The Participation Agreement

General

The Lender, with the consent of the Bank, entered into the Participation Agreement dated as of October 7, 2010 with the Cayman Trustee, in order to grant a participation interest in substantially all of the rights and remedies of the Lender under the Subordinated Loan Agreement. The Cayman Trustee purchased and paid for a 100% participation interest (the "Participation") in the Subordinated Loan Agreement and the Subordinated Loan and the proceeds thereof and all rights and related interests with respect thereto out of the net proceeds of the sale of the Notes. As a result of the purchase of the Participation, the Cayman Trustee is entitled to receive an amount equal to all of the payments of principal, interest and other amounts payable by the Bank on, or with respect to, the Subordinated Loan Agreement and the Subordinated Loan as are actually received by the Lender, together with the right to instruct the Lender with respect to all of the rights and remedies available to the Lender thereunder.

The Lender shall receive all funds from the Bank for the account and benefit of the Cayman Trustee and, as a result of the pledge of the Participation, also on behalf of the Indenture Trustee for the benefit of the holders of the Notes.

In addition, in the case of the bankruptcy of the Lender, the Cayman Trustee will have the option, subject to applicable laws and upon prior instructions from and the approval of the Bank, to (i) elevate its position as a participant in the Subordinated Loan to the rights of the Lender under that agreement to or (ii) designate a third party financial institution to be the lender of record to the Bank so as to preserve any tax efficiencies such structure may afford the Bank.

Administration of the Participation

Pursuant to the Participation Agreement, the Lender has agreed to administer and service the Subordinated Loan Agreement and the Subordinated Loan and monitor all matters relating thereto for the benefit of the Cayman Trustee and, indirectly, the holders of the Notes. The Lender will pay over to the Loan Collection Account all payments of principal, premium, interest and other amounts (including any Notes Additional Amounts) received from the Bank from time to time on or with respect to the Subordinated Loan so that all such amounts will be promptly paid over to the Cayman Trustee pursuant to the Participation and thereafter to the Indenture Trustee for payment and distribution to the holders of the Notes (see above "—Accounts"). In addition, following any written request from the Cayman Trustee, under the terms of the Participation Agreement, the Administration Agent will request the Bank to furnish and will then transmit to the Cayman Trustee (who in turn will transmit to the Indenture Trustee) copies of the financial and other information required to be produced and furnish to the Administrative Agent pursuant to the terms of the Subordinated Loan Agreement (see above "—Provision of Financial Statements and Reports").

In administering the Subordinated Loan Agreement and the Subordinated Loan, from time to time, the Lender will seek instructions from the Cayman Trustee, who shall in turn seek instructions from the Indenture Trustee who shall, if required under the Indenture, in turn seek instructions from the holders of the Notes, as to all matters that shall be required to be taken under the Subordinated Loan Agreement and the Subordinated Loan, including instructions relating to the exercise of rights and remedies with respect to any of the foregoing.

Subject to the foregoing, the Lender will (i) administer and manage the Participation at the Cayman Trustee's expense in the ordinary course of business and in accordance with its usual practices, modified from time to time as it deems appropriate under the circumstances and (ii) be entitled to use its discretion in taking or refraining from taking any actions in connection with the Participation as if it were the sole party involved in the Subordinated Loan. Notwithstanding the foregoing, (a) subject to the requirements of the Subordinated Loan Agreement and the Subordinated Loan, the Lender shall promptly notify the Cayman Trustee in writing of any matter in respect of which it may exercise any action in respect of which the Cayman Trustee may vote and (b) to the extent permitted under the terms of the Subordinated Loan Agreement and the Subordinated Loan, the Lender (x) shall not take any action, or refrain from taking any action, with respect to the Bank, the Subordinated Loan or the Subordinated Loan Agreement without the written consent of the Cayman Trustee and (y) shall take all action, or refrain from taking any action, as the Cayman Trustee shall direct in writing; *provided*, *however*, that, notwithstanding anything in the Participation Agreement or herein to the contrary, the Lender shall not be required to take any action to the extent that doing the same would (i) be inconsistent with the Lender's corporate policy or adversely affect or conflict with any election made by the Lender or any of its affiliates in connection with loans, commitments or other claims held for its own account or for the account of others, (ii) violate or cause the Lender or any of its affiliates to violate any provision of applicable law or any documents executed in connection with the Subordinated Loan or (iii) require any new money advances except as provided under the Subordinated Loan Agreement.

As a result of the purchase of the interest in the Participation by the Cayman Trustee, subject to having received instructions from the Indenture Trustee, acting to the extent necessary, on the instructions of the holders of the Notes, the Cayman Trustee will be entitled to exercise substantially all of the rights and remedies of the Lender under the Subordinated Loan Agreement and the Subordinated Loan, by directing the Lender, subject to the foregoing limitations, to take action or withhold any action including those that relate generally to (i) the Subordinated Loan and the amounts and terms of additional advances thereunder as a result of any further issuances of the Notes as provided for herein and in the Indenture, (ii) conditions to effectiveness and making of any additional advances, (iii) appointment of any agent, (iv) additional payments due to the Lender as a result of prepayment of principal, (v) waiver of set off by the Lender, (vi) assignments and participations involving the Lender's rights and obligations under the Subordinated Loan Agreement and the Subordinated Loan and (vii) all matters relating to expenses and indemnities contemplated in the Subordinated Loan Agreement.

Expenses and Additional Amounts

The Lender has agreed to deposit in the expense reimbursement account, subject to the satisfaction of certain conditions set forth in the Subordinated Loan Agreement and in the Participation Agreement, for the benefit of the Cayman Trustee, the Indenture Trustee and the holders of the Notes, all fees and expenses from time to time incurred by the Cayman Trustee, the Indenture Trustee and the holders of the Notes, if applicable, relating to (i) the establishment and continued existence of the Trust and the Cayman Trustee, and all matters contemplated in the Trust Deed, including the fees and expenses of the Cayman Trustee for acting as such under the Trust Deed, the Indenture and the Participation Agreement or otherwise as contemplated herein, (ii) any expenses, indemnities or other costs provided, or required to be provided by the Cayman Trustee to the Lender under, or in respect of the Participation Agreement, including any indemnity to be given to the Lender in connection with the Lender's acting upon any instructions of the Cayman Trustee, the Indenture Trustee and/or the holders of the Notes (pursuant to their right under the Indenture to give instructions to the Cayman Trustee as to all matters relating to the Participation Agreement), (iii) the issuance of the Notes pursuant to the Indenture, including all fees and expenses of the Indenture Trustee incurred in connection with the issuance of the Notes, the costs of arranging and maintaining the clearance of the Notes through DTC or otherwise the listing of the Notes on the Luxembourg Stock Exchange and any costs incurred in administrating, maintaining and enforcing all rights under the Indenture and the Notes and the performance of all duties and obligations of the Indenture Trustee, including costs and expenses (including reasonable counsel fees and disbursements) necessary to maintain the pledge contemplated thereunder, to seek instructions from the holders of the Notes with respect to the Participation Agreement or otherwise and implement any mandatory or optional redemption of the Notes as described above under "—Redemption Events" and take all action contemplated to be taken by the Indenture Trustee under the Indenture or reasonably incidental thereto from time to time in connection with the performance of the Indenture Trustee's duties and obligations under the Indenture and (iv) enforcing the obligation of the Lender with respect to the foregoing and the Participation Agreement. See above "—The Subordinated Loan Agreement—Expenses."

Without duplication for amounts payable pursuant to the Subordinated Loan Agreement, pursuant to the terms and conditions of the Subordinated Loan Agreement and of the Participation Agreement, the following amounts shall be paid as follows: (i) any and all stamp, administrative, court, documentary, excise, sales, use, value-added and property taxes, duties, assessments and other similar governmental charges arising in connection with the Subordinated Loan Agreement, the Participation Agreement, the Indenture, the Trust Deed or the Notes; (ii) any and all taxes, duties, assessments and other governmental charges levied or imposed upon the Cayman Trustee and the Trust; (iii) any and all taxes, duties, assessments and other governmental charges imposed by Peru, the United States, the Cayman Islands or any other jurisdiction from which payments are made by the Bank, Lender or Cayman Trustee in respect of the Subordinated Loan Agreement, the Participation Agreement or the Notes, including in each case, any political subdivision thereof; and (iv) additional amounts sufficient to provide the Lender, the Cayman Trustee and holders of the Notes, as applicable, with aggregate amounts equal to the amounts that the Lender, the Cayman Trustee and the holders of the Notes, as applicable, would have received had no such taxes, duties, assessments or other governmental charges described in clauses (i), (ii) or (iii) been imposed. For purposes of the preceding sentence, clause (iii) does not include any tax, duty, assessment or other governmental charge that is imposed due to any of the following:

- the Lender or holder of the Notes (or beneficial owner of the Notes), as applicable, has some connection (present or former) with the taxing jurisdiction other than merely holding the Subordinated Loan, the Participation Agreement or the Notes, as applicable, or receiving payments in respect thereof (such as citizenship, nationality, residence, domicile, or existence of a business, a permanent establishment, a dependent agent, a place of business or a place of management present or deemed present within the taxing jurisdiction);

- to the extent that such taxes, duties, assessments or other governmental charges are imposed other than by withholding or deduction from payments of principals, premium, if any, or interest on the Notes;

- the Lender, the Cayman Trustee or holder of the Notes (or beneficial owner of the Notes), as applicable, fails to comply with any certification, identification or other reporting requirements concerning its nationality, residence, identity or connection with the taxing jurisdiction, if, (i) such compliance is required by applicable law, regulation, administrative practice or treaty as a precondition to exemption from all or a part of the tax, duty, assessment or other governmental charge (including Internal Revenue Service Forms W-8BEN, W-8IMY, W-8ECI, W-8EXP, 6166 and W-9 or any successor form, as applicable), (ii) the Lender, the Cayman Trustee or holder of the Notes (or beneficial owner of the Notes), as applicable, is legally able to comply with such requirements without undue hardship and (iii) at least 30 days prior to the first payment date with respect to which such requirements under the applicable law, regulation, administrative practice or treaty shall apply, the Bank has notified the Lender that it (or the holders of the Notes (or beneficial owner of the Notes)) will be required to comply with such requirements, except the Bank need not provide notice to the Lender with respect to any such requirements imposed by Peru (or any political subdivision therein) in effect on the date of the Subordinated Loan Agreement;

- the Lender fails to present (where presentation is required) evidence of the Subordinated Loan or the Participation Agreement, as applicable, within 30 days after the Bank has made available to the Lender a payment of principal or interest, provided that the Bank will pay additional amounts to which the Lender or the Cayman Trustee would have been entitled had evidence of the Subordinated Loan or the Participation Agreement been presented on any day (including the last day) within such 30-day period;

- any taxes, duties, assessments or other governmental charges are imposed by reason of the recipient's past or present status as a non-United States private foundation or other non-United States tax-exempt organization;

- any estate, inheritance, gift or similar taxes, assessments or other governmental charges; or

- where such withholding or deduction 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;

- where such tax, duty, assessment or other governmental charge could have been avoided by presenting the relevant Note to another available paying agent of the Bank; or

- any combination of the items above.

Payments in respect of the foregoing shall be made pursuant to the terms and conditions of the Subordinated Loan Agreement and of the Participation Agreement (see above "—Expenses and Additional Amounts" and "—The Subordinated Loan Agreement—Expenses") at least five business days before the deduction, withholding or payment of the taxes, duties, assessments or other governmental charges for which such amounts are being paid is required or due. At such time, the Lender or the Cayman Trustee, as applicable, shall receive the information they reasonably requested for tax purposes.

If the Bank shall at any time be required to pay additional amounts to the Lender pursuant to the terms of the Subordinated Loan, the Bank, the Lender and the Cayman Trustee will use reasonable endeavors to obtain an exemption from the payment of (or otherwise avoid the obligation to pay) the tax, assessment or other governmental charge which has resulted in the requirement that such additional amounts be paid.

The foregoing obligations shall survive any termination of the Subordinated Loan Agreement, the Participation Agreement, the Indenture, the Trust Deed or the Notes.

Assignment of Rights and Obligations under the Subordinated Loan Agreement

Other than as contemplated in the Indenture, the Cayman Trustee has agreed not to sell, assign, or otherwise transfer its rights and obligations under the Participation Agreement and not to grant any participation or subparticipation in those rights and obligations without the prior written consent of the Lender, which consent shall not be unreasonably withheld or delayed.

The Lender's interest in the Subordinated Loan may not be assigned to any person except upon the occurrence of certain events and subject to the conditions described above under "—Assignment" and "—The Subordinated Loan—Assignments." Any such assignment shall be effected without any payment by or to the Lender or the Participant and upon consummation thereof, the Participation Agreement and the Participation shall be of no further force and effect. Upon any such assignment, payments of interest on the Subordinated Loan may become subject to withholding tax and Peruvian VAT and may be subject to an Optional Redemption by the Bank, upon which the Trust shall mandatorily redeem the Notes (see above "—Note Redemption Events") and the Lender shall have no further responsibility to the Cayman Trustee or the holders of the Notes with respect to any matter relating to the Subordinated Loan.

Governing Law, Consent to Jurisdiction

The Indenture, the Notes, the Subordinated Loan Agreement and the Participation Agreement will be governed by, and will be construed in accordance with, the law of the State of New York.

The Cayman Trustee and the Bank 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, the Notes, the Subordinated Loan Agreement or the Participation Agreement may be submitted to the jurisdiction of such courts. The Cayman Trustee and the Bank will irrevocably consent to and waive to the fullest extent permitted by law any objection that the Cayman Trustee or the Bank may have to the laying of venue of any suit, forum, action or proceeding against the Cayman Trustee, the Bank or their properties, assets and revenues with respect to the Indenture, the Subordinated Loan Agreement and the Participation Agreement or any such suit, action or proceeding in any such court and any right to which the Cayman Trustee or the Bank may be entitled on account of place of residence or domicile.

To the extent that the Cayman Trustee or the Bank or any of their 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, the Trust and the Bank will irrevocably agree not to claim and will irrevocably waive such immunity to the fullest extent permitted by the laws of such jurisdiction.

The Cayman Trustee and the Bank will agree that service of all writs, claims, process and summons in any suit, action or proceeding against the Cayman Trustee or the Bank or their properties, assets or revenues with respect to the Indenture, the Notes, the Subordinated Loan Agreement and the Participation Agreement or any suit, action or proceeding to enforce or execute any judgment brought against them 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 the Cayman Trustee and the Bank will irrevocably appoint CT Corporation Systems as their agent to accept such service of any and all such writs, claims, process and summonses.

CERTAIN ERISA CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended, which is referred to as ERISA, and Section 4975 of the U.S. Internal Revenue Code of 1986, as amended, which is referred to as the Code, impose certain restrictions on (i) employee benefit plans, including entities such as collective investment funds and separate accounts, that are subject to the fiduciary responsibility provisions of ERISA, (ii) plans described in Section 4975(e)(1) of the Code, including individual retirement accounts and Keogh plans, subject to Section 4975 of the Code, and (iii) any entities whose underlying assets include "plan assets" by reason of the Plan Asset Regulation (as defined below) or otherwise, each of which is referred to as a Plan. ERISA also imposes certain duties on persons who are fiduciaries with respect to Plans subject to the fiduciary responsibility provisions of ERISA. In accordance with ERISA's general fiduciary requirements, a fiduciary with respect to any such Plan who is considering the purchase of the Notes on behalf of such Plan should determine whether such purchase is permitted under the governing plan documents and is prudent and appropriate for the Plan in view of its overall investment policy and the composition and diversification of its portfolio.

Section 406 of ERISA and Section 4975 of the Code prohibit certain direct or indirect transactions between Plans, and certain persons, referred to as "parties in interest" under ERISA or "disqualified persons" under the Code, having certain relationships with such Plans. The Bank or the Lender may be considered "parties in interest" or "disqualified persons" with respect to a Plan. The Notes and the Subordinated Loan each may be viewed as equity under the Plan Asset Regulations and the acquisition of the Notes may be viewed as an acquisition of a participation interest from the Lender in the Subordinated Loan to the Bank. Prohibited transactions within the meaning of ERISA or the Code may arise if the Notes are acquired by or with the assets of a Plan with respect to which the Bank or the Lender is a party in interest or disqualified person, including, for example, an indirect acquisition of a participation interest from the Lender in the Subordinated Loan. Certain exemptions from the prohibited transaction rules may be applicable, depending in part upon the type of Plan fiduciary making the decision to acquire the Notes and the circumstances under which such decision is made.

The acquisition of the Notes may be eligible for one of the exemptions noted below if the acquisition:

- is made solely with the assets of a bank collective investment fund and satisfies the requirements and conditions of Prohibited Transaction Class Exemption, which is referred to as PTCE, 91-38 issued by the Department of Labor;

- is made solely with assets of an insurance company pooled separate account and satisfies the requirements and conditions of PTCE 90-1 issued by the Department of Labor;

- is made solely with assets managed by a qualified professional asset manager and satisfies the requirements and conditions of PTCE 84-14 issued by the Department of Labor;

- is made solely with assets of an insurance company general account and satisfies the requirements and conditions of PTCE 95-60 issued by the Department of Labor; or

- is made solely with assets managed by an in-house asset manager and satisfies the requirements and conditions of PTCE 96-23 issued by the Department of Labor.

Governmental plans, foreign and certain church plans, while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of ERISA or Section 4975 of the Code, may nevertheless be subject to local, state, other federal or non-US laws that are substantially similar to the foregoing provisions of ERISA and the Code, which is referred to as similar law.

By its acquisition and holding of the Notes, each purchaser and transferee of the Notes and any fiduciary directing the transaction on their behalf will be deemed to represent and warrant that either (i) it is not, and is not acquiring the Notes on behalf of, or with the assets of, a Plan or governmental, foreign or church plan subject to similar law or (ii) the acquisition, holding and disposition of the Notes will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or in a violation of any similar law by reason of PTE 91-38, PTE 90-1, PTE 84-14, PTE 95-60 or 96-23 or other applicable exemption.

Any person proposing to purchase the Notes should consult with its own counsel with respect to, among other things, the potential applicability of ERISA, the Code or similar law to such investment and whether any exemption would be applicable. Each investor must determine on its own whether all conditions of an applicable exemption have been satisfied. The sale to any Plan or plan subject to similar law of the Notes is in no respect a representation by the Bank, the Lender, the Cayman Trustee or the initial purchasers that such investment meets all relevant legal requirements with respect to investments by such investors generally or any particular such investor, or that such an investment is appropriate for such investors generally or any particular such investor.

TAXATION

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 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 that purchase Notes pursuant to this offering 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 (except where specifically described below);
- 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 own, directly or indirectly, 10 percent or more of the Bank's voting stock; 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. You should consult your own tax advisor with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, owning or disposing of the Notes, in your 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.

This discussion assumes that the Bank is not, and will not become, a passive foreign investment company, as described below.

Characterization of the Structure for U.S. Federal Income Tax Purposes

There are no statutory, judicial or administrative authorities that address the U.S. federal income tax treatment of a structure consisting of instruments and arrangements similar to the Notes, the Trust, the Participation Agreement, and the Subordinated Loan and, accordingly, the proper characterization of the Notes is not certain. For U.S. federal income tax purposes, the Notes should be treated as ownership or participation interests in the Subordinated Loan with the Trust serving as a mere security arrangement that facilitates and secures payment of distributions due under the Subordinated Loan or the Participation Agreement, as the case may be, to holders of the Notes.

However, it is possible that the Notes may, instead, be characterized as: (1) ownership interests in the Trust, which is classified as a partnership for U.S. federal income tax purposes (assuming the timely and effective filing of an appropriate U.S. protective entity classification election on IRS Form 8832 or successor form); (2) ownership interests in the Trust, which is a grantor trust for U.S. federal income tax purposes, that represents ownership or participation interests in the Subordinated Loan; or (3) interests in indebtedness of the Trust. The U.S. federal income tax consequences to a U.S. Holder of a Note under any of these alternative characterizations of the structure would differ materially from the consequences described below.

The Trust intends to take the position, for U.S. federal income tax purposes, that the Notes are ownership interests in the Subordinated Loan with the Trust serving as a mere security arrangement that facilitates and secures payment of distributions due under the Subordinated Loan to holders of the Notes. Each holder and beneficial owner of a Note, by acquiring a beneficial interest in a Note agrees to treat, solely for U.S. federal, state and local tax purposes, (a) the Notes as ownership interests in the Subordinated Loan (which represents an equity interest in the Bank, as discussed below), and (b) the Trust as a mere security arrangement that serves to facilitate and secure payment of distributions due under the Subordinated Loan to holders of the Notes pursuant to the Participation Agreement. Each of the Bank and the Lender agrees that it will take no position for U.S. federal income tax purposes that is inconsistent with the positions to be taken by the Trust and holders of Notes. See discussion below under the caption "Possible Alternative Tax Treatments — Notes May be Treated as Ownership Interests in a Grantor Trust for U.S. Federal Income Tax Purposes."

Except as expressly noted, the discussion below assumes that the characterization of the Trust as a security arrangement and the Notes as ownership interests in the Subordinated Loan will be respected.

U.S. Tax Characterization of the Subordinated Loan

We believe that the Subordinated Loan is likely to be treated as equity in the Bank for U.S. federal income tax purposes, and, to the extent required to do so, intend to treat the Subordinated Loan as equity in the Bank for

U.S. federal income tax purposes. However, no assurance can be given that the U.S. Internal Revenue Service (the "IRS") will not assert that the Subordinated Loan (or alternatively, the Participation Agreement) should be treated as indebtedness for U.S. federal income tax purposes. If the Subordinated Loan were treated as indebtedness for U.S. federal income tax purposes, the timing and character of income, gain and loss recognized by you could differ from the description herein. The following discussion assumes that the Subordinated Loan will be treated as equity for U.S. federal income tax purposes. As a result of this assumption, the following discussion treats each payment under the Subordinated Loan that is referred to in this offering circular as "interest" (including additional amounts, if any) as a distribution by the Bank with respect to an equity interest, and each reference in the following discussion to dividends refers to any such payment under the Subordinated Loan.

Distributions

Distributions on the Notes, including any amounts withheld in respect of Peruvian income taxes as described above, will constitute foreign source ordinary dividend income to the extent of the Bank's current or accumulated earnings and profits as determined under U.S. federal income tax principles. Distributions will not be eligible for the dividends-received deduction generally allowed to corporate U.S. Holders.

Under current law, certain dividends received by non-corporate U.S. investors on shares of certain non-U.S. corporations may be subject to U.S. federal income tax at lower rates than other types of ordinary income if certain conditions are met. However, because the Notes are not tradable on an established securities market in the United States and there is no income tax treaty between the Cayman Islands or Peru and the United States, the Bank does not expect that those conditions will be met.

To the extent, if any, that the amount of any distribution by the Bank exceeds the Bank's current and accumulated earnings and profits as determined under U.S. federal income tax principles, it will be treated first as a tax-free return of capital to the extent of your adjusted tax basis in the Notes and, to the extent it exceeds the adjusted tax basis, will be treated as capital gain. Potential purchasers should note, however, that the Bank will not maintain calculations of its earnings and profits under U.S. federal income tax principles and therefore you should expect that the entire amount of a distribution will generally be reported as dividend income to you.

The treatment of distributions received by you as foreign source income, as discussed above, may be relevant in calculating your foreign tax credit for U.S. federal income tax purposes. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. You may be denied a foreign tax credit for foreign taxes imposed with respect to the Notes where you do not meet a minimum holding period requirement during which you are not protected from risk of loss. The rules governing foreign tax credits are complex, and you should consult your tax advisor regarding the availability of foreign tax credits, including credits in respect of taxes imposed by Peru on distributions, in your particular circumstances.

Sale, Exchange or Other Taxable Disposition of the Notes

You 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 and your 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.

Passive Foreign Investment Company Rules

The discussion above assumes that the Bank is not a passive foreign investment company (a "PFIC") for U.S. federal income tax purposes. Based upon certain administrative pronouncements by the IRS and proposed Treasury regulations which are not yet in effect but are proposed to become effective for taxable years beginning after December 31, 1994 or, for electing taxpayers, for taxable years beginning after December 31, 1986 (the "Proposed Regulations"), the Bank believes that it was not a PFIC for U.S. federal income tax purposes for our most recent taxable year and the Bank does not expect to be considered a PFIC in the foreseeable future. While the Proposed Regulations are not currently in effect, the Bank believes that it currently complies with the requirements of both the published administrative guidance and the Proposed Regulations. Since PFIC status depends upon the composition of our income and assets and the market value of our assets from time to time, and applicable rules are not entirely clear, there can be no assurance that the Bank will not be considered a PFIC for the current or any future taxable year. If the Bank were treated as a PFIC for any taxable year during which you held the Notes, certain adverse U.S. federal income tax consequences would apply with respect to any gain realized on the disposition of a Note and certain distributions on the Notes.

Possible Alternative Tax Treatments

Notes May Be Treated as Ownership Interests in a Partnership for U.S. Federal Income Tax Purposes

The Notes may be treated as ownership interests in the Trust for U.S. federal income tax purposes. In that case, the Trust should be treated as a "foreign eligible entity" under the U.S. Treasury regulations relating to entity classification for business entities, which regulations likely would treat the Trust as an association taxable as a corporation in the absence of an election by the Trust to be classified as a partnership for U.S. federal tax purposes. While such treatment is not expected, a protective entity classification election to classify the Trust for U.S. federal tax purposes as a partnership will be made to prevent any potential adverse U.S. federal income tax consequences that could result to holders of Notes in the event that the Trust is classified as a corporation. Each holder of a Note and beneficial owner of a Note by acquiring a beneficial interest in a Note will be deemed to have consented to such protective election. Notwithstanding treatment as a partnership, under Section 7704 of the Code, partnerships that are “publicly traded partnerships” are generally treated in the same manner as corporations for U.S. federal income tax purposes, except in the case of publicly traded partnerships that recognize “qualifying income” e.g., interest, dividends and certain capital gains) equal to at least 90% of their gross income. It is anticipated that the Trust will have sufficient qualifying income to satisfy this exception and avoid treatment as a publicly traded partnership taxable as a corporation.

In the event that the Notes are treated as ownership interests in the Trust and the Trust is classified as a partnership for U.S. federal tax purposes, each U.S. Holder would be required to report on its U.S. federal income tax return its allocable share of the Trust's income, gains, losses, deductions and credits for the taxable year of the Trust ending within or with such U.S. Holder's taxable year, whether or not cash or other property associated with such income or gain is distributed to such U.S. Holder. Certain limitations may apply with respect to a U.S. Holder's ability to deduct expenses incurred (or deemed to be incurred) by the Trust (or the timing of such deductions). The character and source of items of income and gain derived by a U.S. Holder from the Trust generally would be determined as if such U.S. Holder had directly recognized such income or gain, but a cash basis U.S. Holder would be treated as recognizing income on the Notes when the corresponding payments under the Participation Agreement are received by the Trust and not when distributions from the Trust are received by the U.S. Holder. In addition, under Section 6038B of the Code and the U.S. Treasury regulations issued thereunder, a U.S. Holder would be subject to certain information reporting requirements applicable to transfers of money to a foreign partnership in excess of US$100,000 within a 12-month period with respect to an acquisition of Notes if such U.S. Holder paid more than US$100,000 for the Notes. Substantial penalties may apply to the failure to comply with these requirements.

Notes May be Treated as Ownership Interests in a Grantor Trust for U.S. Federal Income Tax Purposes

Alternatively, if the Notes are treated as ownership interests in the Trust for U.S. federal income tax purposes, and the Trust is treated as a grantor trust for U.S. federal income tax purposes, then the Trust would not be subject to U.S. federal net income taxation, and a holder of a Note would be treated as the beneficial owner of its proportionate share of the assets that are beneficially owned by the Trust. In that case, a holder of a Note should be treated as the beneficial owner of its proportionate share of the Participation Agreement, which should be treated as an ownership interest in the Subordinated Loan. Under this characterization, the U.S. federal income tax treatment of the Notes generally would be the same as the treatment described above for the Notes being ownership interests in the Subordinated Loan with the Trust serving as a mere security arrangement. It should be noted, however, that under Section 6048 of the Code and the U.S. Treasury regulations issued thereunder, a U.S. Holder would be subject to certain, potentially onerous, information reporting requirements applicable to ownership of, transfers of money or other property to, and distributions from, a foreign trust. Substantial penalties may apply to the failure to comply with these requirements.

Notes May Be Treated as Debt of the Trust for U.S. Federal Income Tax Purposes

It is also possible, although the Bank does not believe it is likely, that the Notes may be treated, in accordance with their form, as indebtedness of the Trust for U.S. federal income tax purposes. In that case, the Notes would be treated as indebtedness of a non-United States person, and payments on the Notes would be treated as foreign source income for U.S. federal income tax purposes. In addition, in that case, the Notes may be treated as debt instruments subject to special rules governing the taxation of contingent payment debt instruments (the "CPDI Rules") if payments of principal, interest and other amounts on the Notes are contingent on the receipt by the Trust of such amounts under the Participation Agreement. We believe, however, that the contingency of non-receipt by the Trust of such amounts under the Participation Agreement is remote. Therefore, the CPDI Rules should not apply to the Notes.

The treatment of a sale, exchange or other taxable disposition of a Note that is treated as indebtedness of a non-United States person generally would be the same as the treatment described above under the caption "— Sale, Exchange or Other Taxable Disposition of the Notes" for the Notes being an ownership interest in the Subordinated Loan with the Trust serving as a mere security arrangement.

Notes May Be Treated as an Obligation of the Lender

The identity of the obligor of the indebtedness giving rise to the payment on the Notes for U.S. federal income tax purposes is not entirely clear. Thus, IRS Forms W-8 and W-9, as applicable, will need to be received from all holders of Notes in order to avoid potential U.S. withholding tax on payments on the Notes in the event that the obligor of such indebtedness is determined to be a U.S. person, which payments on the Notes, in the case of a non-U.S. holder, generally will be subject to the portfolio interest exemption, unless such payments on the Notes are received by certain non-U.S. holders. In the event that a non-U.S. holder fails to provide to the paying agent a duly completed and executed IRS Form W-8, the paying agent will withhold 30% of the payments on the Notes (and any additional amounts) otherwise payable to such non-U.S. holder.

Tax-Exempt U.S. Holders

In general, U.S. Holders that generally are exempt from taxation in the United States ("Tax-Exempt U.S. Holders") are subject to tax in respect of any unrelated business taxable income ("UBTI") they recognize. UBTI is defined generally as income from a trade or business regularly carried on by a tax-exempt entity that is unrelated to its exempt purpose. UBTI generally does not include dividends, interest and, with certain exceptions, gains or losses from the sale, exchange or other disposition of property.

Section 514 of the Code provides that a tax-exempt entity's "debt-financed income" will be included in computing UBTI, regardless of whether such income would otherwise be excluded as dividends, interest or other similar income. Consequently, if a Tax-Exempt U.S. Holder's acquisition of a Note is debt-financed, all or a portion of such investor's income attributable to the Note will be included in UBTI.

Tax-Exempt U.S. Holders should consult their tax advisors regarding all possible aspects of UBTI.

Backup Withholding and Information Reporting

Payment of dividends and sales proceeds 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) you are an exempt recipient or (ii) in the case of backup withholding, you provide a correct taxpayer identification number and certify that you are 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 your U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

Recently enacted legislation required certain U.S. Holder to report information with respect to their investment in certain "foreign financial assets," which would include an investment in the Notes, not held through a custodial account with a U.S. financial institution to the IRS. Investors who 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 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 does not describe any tax consequences applicable to a person domiciled in Peru or with a fixed base or 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. A domiciled taxpayer is subject to Peruvian income tax on its worldwide income, whereas permanent establishments in Peru and non-domiciled taxpayers are subject to Peruvian income tax only on Peruvian–source income. A natural person is deemed domiciled in Peru for tax purposes if such person has been present in Peru, or stays in Peru for more than one hundred eighty three calendar days within any twelve month period (changes in resident status enter in force in the following fiscal year). A resident individual is subject to Peruvian income tax on worldwide income, while a non-domiciled individual is only liable for the income otherwise sourced in Peru.

Under the current Peruvian laws and regulations, payments on the Notes to a non-resident holder by the Trust will not be subject to taxation in Peru and no withholding for any Peruvian tax will be required on any such payments to any non-resident holder of the Notes.

A non-resident holder will not be liable for Peruvian estate, capital gains, inheritance or similar tax with respect to its holdings, nor will it be liable for any Peruvian stamp issue, registration or similar tax or duty.

Peru has concluded double taxation treaties with various countries. Peru currently has income tax treaties with Bolivia, Brazil, Canada, Chile, Colombia and Ecuador.

Certain Cayman Islands Income Tax Consequences

The following is a general summary of certain Cayman Islands taxation consequences under present law of the purchase, ownership and disposition of the Notes.

PERSONS CONSIDERING THE PURCHASE OF NOTES SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THEIR PARTICULAR SITUATIONS AS WELL AS ANY CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES UNDER THE LAWS OF ANY TAXING JURISDICTION WHERE THEY MAY BE SUBJECT TO TAX.

Taxation of the Cayman Trustee

There is, at present, no direct taxation in the Cayman Islands and interest, principal and other amounts payable to the Cayman Trustee in respect of the Trust will be received free of all Cayman Islands taxes. The Cayman Trustee will apply for the Trust to be registered as an "exempted trust" pursuant to the Trusts Law (2009 Revision) of the Cayman Islands and, once registered, will apply under Section 81 of such law for a tax exemption certificate from the Governor in Council of the Cayman Islands. Such certificate, which the Cayman Trustee expects to receive, will provide that for a period of 50 years from the date of the creation of the Trust, no law that is thereafter enacted in the Cayman Islands imposing any tax or duty to be levied on income or on capital assets, gains or appreciation or any tax in the nature of estate duty or inheritance tax will apply to any property comprised in, or any income arising under, the Series Trust or to the Cayman Trustee or to the beneficiaries thereof in respect of any such property or income.

Taxation of the Holders

No Cayman Islands withholding tax applies to payments by the Cayman Trustee in respect of the Notes. Holders will not be subject to any income, capital, transfer, sales or other taxes in the Cayman Islands in respect of their purchase, holding or disposition of the Notes (other than a stamp duty payable in respect of the Notes if the Notes are executed in or brought to the Cayman Islands.

THE PRECEDING DISCUSSION IS ONLY A SUMMARY OF CERTAIN CAYMAN ISLANDS TAX IMPLICATIONS OF AN INVESTMENT IN THE NOTES. PROSPECTIVE INVESTORS ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS BEFORE INVESTING TO DETERMINE THE TAX IMPLICATIONS OF SUCH INVESTMENT IN LIGHT OF SUCH INVESTOR'S CIRCUMSTANCES.

Enforcement of Civil Liabilities

Certain Considerations Relating To The Cayman Islands

The Cayman Trustee is a company with limited liability incorporated under the laws of the Cayman Islands. As a result, it may not be possible for investors to effect service of process upon the Cayman Trustee within the United States or to enforce against the Cayman Trustee in United States courts judgments predicated upon the civil liability provisions of the securities laws of the United States. The Cayman Trustee has been informed by Maples and Calder, its legal advisor in the Cayman Islands, that the United States and the Cayman Islands do not currently have a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters and that a final judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon United States securities laws, would, therefore, not be automatically enforceable in the Cayman Islands and there is doubt as to the enforceability in the Cayman Islands, in original actions or in actions for the enforcement of judgments of the United States courts, of liabilities predicated solely upon United States securities laws. The Cayman Trustee will appoint CT Corporation System as its agent for service of process.

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions contained in a purchase agreement dated September 30, 2010, the Trust 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
Credit Suisse Securities (USA) LLC	US$144,444,000.00
BBVA Securities Inc.	US$55,556,000.00
Total	US$200,000,000.00

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 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 both QIBs in reliance on Rule 144A under the Securities Act and Qualified Purchasers within the meaning of Section 2(a)(51)(A) of the Investment Company Act, and the rules and regulations thereunder 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 Trust has not been registered and will not be registered as an investment company under the Investment Company Act, in reliance on the exemption set forth in Section 3(c)(7) thereof. The Notes are being offered and sold only to investors that are either (1) U.S. Persons (as defined in Regulation S under the Securities Act) who are both QIBs in reliance on Rule 144A under the Securities Act and Qualified Purchasers within the meaning of Section 2(a)(51)(A) of the Investment Company 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 and the exemption from the Investment Company Act provided by Section 3(c)(7) thereof.

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. Neither the Bank nor the Trust is a U.S. registered broker-dealer and, therefore, to the extent that the Bank or the Trust intends to effect any sales of the securities in the United States, the Bank of the Trust will do so through one or more U.S. registered broker-dealers.

European Economic Area

The initial purchaser represents and agrees that, in relation to each member state of the European Economic Area, or EEA, which has implemented the Prospectus Directive (each, a "Relevant Member State"), the 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 it has not made and will not make an offer of the Notes to the public in that Relevant Member State other than:

- to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

- to any legal entity which has two or more of: (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

- to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the initial purchaser; or

- in any other circumstances which do not require the publication by us of a prospectus pursuant to Article 3 of the Prospectus Directive;

provided that no such offer of Notes shall require us to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of notes 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 EEA selling restriction is in addition to any other selling restrictions set out below.

United Kingdom

The initial purchaser represents and agrees that:

- 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

- 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.

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 us 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 or their affiliates have in the past engaged, and may in the future engage, in transactions with and perform services, including commercial banking, financial advisory and investment banking services, for the Bank and its affiliates in the ordinary course of business. Certain of the Bank's affiliates may purchase Notes in the offering for the account of their clients. BBVA Securities Inc., one of the initial purchasers, is an affiliate of the Bank. CS Cayman is an affiliate of Credit Suisse Securities (USA) LLC, one of the initial purchasers.

The Bank has agreed to indemnify the 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 and the Trust expect to apply 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 and the Trust 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.

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 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) that are also Qualified Purchasers (as defined in Section 2(a)(51) of the Investment Company 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 Section 2(a)(51)(A) of the Investment Company Act and the rules and regulations thereunder are used herein as defined therein):

(1) You (A)(i) are a U.S. Person ("U.S. Person"), as defined in Regulation S, who is both a QIB, as defined in Rule 144A, and a Qualified Purchaser within the meaning of Section 2(a)(51)(A) of the Investment Company Act and the rules and regulations thereunder, (ii) are aware that the sale of the Notes to you is being made in reliance on Rule 144A and Section 3(c)(7) of the Investment Company Act and (iii) are acquiring such Notes for your own account or for the account of a U.S. Person who is both a QIB and a Qualified Purchaser or (B)(i) are a non-U.S. Person and (ii) are acquiring the Notes in an offshore transaction pursuant to Regulation S.

(2) If you are relying on the exemption from the registration requirements of Rule 144A of the Securities Act, you (A) are not a broker-dealer that owns and invests on a discretionary basis less than U.S. $25 million in securities of unaffiliated issuers, (B) are not a participant-directed employee plan, such as a 401(k) plan as referred to in paragraph (a)(1)(i)(D) or (a)(1)(i)(E) of Rule 144A, or a trust fund referred to in paragraph (a)(1)(i)(F) of Rule 144A that holds the assets of such a plan and (C) were not formed for the purposes of investing in securities of the Trust.

(3) 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 and a Qualified Purchaser in a transaction meeting the requirements of Rule 144A, and (ii) outside the United States in a transaction complying with the provisions of Rule 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, (C) the Cayman Trustee, in its capacity as trustee, has not registered and does not intend to register as an investment company under the Investment Company Act and (D) the Notes may not be reoffered, resold, pledged or otherwise transferred except in accordance with the legend on such Notes described below. You acknowledge that no representation is made by the Cayman Trustee, in its capacity as trustee, or the initial purchasers (as defined in "Plan of Distribution") as to the availability of any exemption under the Securities Act, the Investment Company Act, or any state securities laws for resale of the Notes.

(4) The Notes will bear a legend to the following effect, the Cayman Trustee, in its capacity as trustee, determines otherwise in compliance with applicable law:

"THE NOTES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT") OR ANY STATE SECURITIES LAWS AND CONTINENTAL TRUSTEES (CAYMAN) LTD., IN ITS CAPACITY AS TRUSTEE (THE "CAYMAN TRUSTEE"), OF THE CONTINENTAL TRUST (THE "ISSUER") HAS NOT REGISTERED AND DOES NOT INTEND TO REGISTER AS AN

INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"), IN RELIANCE ON THE EXCLUSION FROM THE DEFINITION OF INVESTMENT COMPANY PROVIDED BY SECTION 3(C)(7) OF THE INVESTMENT COMPANY ACT. 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 U.S. PERSON ("U.S. PERSON") AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT WHO IS BOTH A QUALIFIED INSTITUTIONAL BUYER ("QUALIFIED INSTITUTIONAL BUYER") WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT AND A QUALIFIED PURCHASER ("QUALIFIED PURCHASER") WITHIN THE MEANING OF SECTION 2(A)(51)(A) OF THE INVESTMENT COMPANY ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A U.S. PERSON WHO IS BOTH A QUALIFIED INSTITUTIONAL BUYER AND A QUALIFIED PURCHASER, (2) IN A TRANSACTION MEETING THE REQUIREMENTS OF (X) RULE 144A OF THE SECURITIES ACT AND (Y) SECTION 3(C)(7) OF THE INVESTMENT COMPANY ACT, (3) TO A PERSON WHO (X) MEETS ALL OF THE REQUIREMENTS IN CLAUSES (A)(1) THROUGH (A)(9) OF THE PARAGRAPH BELOW AND (Y) AGREES NOT TO SUBSEQUENTLY TRANSFER THE NOTES OR ANY BENEFICIAL INTEREST THEREIN EXCEPT IN ACCORDANCE WITH THE TRANSFER RESTRICTIONS SET FORTH IN THE PARAGRAPH BELOW, AND IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES OR ANY OTHER JURISDICTION 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)(1)(I) IT AND EACH PERSON FOR WHICH IT IS ACTING IS A U.S. PERSON WHO IS BOTH A QUALIFIED INSTITUTIONAL BUYER AND A QUALIFIED PURCHASER, (II) IT IS AWARE THAT THE SALE OF THE NOTES TO IT ARE BEING MADE IN RELIANCE ON RULE 144A AND SECTION 3(C)(7) OF THE INVESTMENT COMPANY ACT AND (III) IT IS ACQUIRING SUCH NOTES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A U.S. PERSON WHO IS BOTH A QUALIFIED INSTITUTIONAL BUYER AND A QUALIFIED PURCHASER, IN A TRANSACTION MEETING THE REQUIREMENTS OF (X) RULE 144A UNDER THE SECURITIES ACT AND (Y) SECTION 3(C)(7) OF THE INVESTMENT COMPANY ACT (2) IT (I) IS NOT A BROKER-DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25 MILLION IN SECURITIES OF UNAFFILIATED ISSUERS, (II) IS NOT A PARTICIPANT-DIRECTED EMPLOYEE PLAN, SUCH AS A 401(K) PLAN REFERRED TO IN PARAGRAPH (A)(1)(i)(D) OR (A)(1)(i)(E) OF RULE 144A UNDER THE SECURITIES ACT, OR A TRUST FUND REFERRED TO IN PARAGRAPH (A)(1)(i)(F) OF RULE 144A UNDER THE SECURITIES ACT THAT HOLDS THE ASSETS OF SUCH A PLAN, AND (III) WAS NOT FORMED FOR THE PURPOSES OF INVESTING IN SECURITIES OF THE ISSUER, (3) IT, AND EACH PERSON OR ACCOUNT FOR WHICH IT IS PURCHASING OR OTHERWISE ACQUIRING SUCH NOTES (OR BENEFICIAL INTEREST THEREIN), WILL PURCHASE, HOLD OR TRANSFER AT LEAST U.S.$100,000 OF THE NOTES (OR BENEFICIAL INTERESTS THEREIN) AND SHALL NOT SELL PARTICIPATION INTERESTS IN ANY NOTES, (4) IF IT, OR ANY OTHER PERSON FOR WHICH IT IS ACTING, IS AN INVESTMENT COMPANY EXCEPTED FROM THE INVESTMENT COMPANY ACT PURSUANT TO SECTION 3(C)(1) OR SECTION 3(C)(7) THEREOF (OR A FOREIGN INVESTMENT COMPANY UNDER SECTION 7(D) THEREOF RELYING ON SECTION 3(C)(1) OR SECTION 3(C)(7) WITH RESPECT TO ITS HOLDERS

THAT ARE U.S. PERSONS) AND WAS FORMED ON OR BEFORE APRIL 30, 1996, IT HAS RECEIVED CONSENT OF THE BENEFICIAL OWNERS WHO ACQUIRED THEIR INTEREST ON OR BEFORE APRIL 30, 1996, WITH RESPECT TO ITS TREATMENT AS A QUALIFIED PURCHASER IN THE MANNER REQUIRED BY SECTION 2(A)(51)(C) OF THE INVESTMENT COMPANY ACT AND THE RULES PROMULGATED THEREUNDER, (5) IT, AND EACH PERSON FOR WHICH IT IS 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 CLAUSES (A)(1) THROUGH (A)(9) IN THIS PARAGRAPH WILL BE NULL AND VOID *AB INITIO* AND NOT HONORED BY THE ISSUER, (6) IT, AND EACH PERSON FOR WHICH IT IS ACTING, AGREE THAT THE ISSUER SHALL BE ENTITLED TO REQUIRE ANY HOLDER OF NOTES (OR ANY HOLDER OF A BENEFICIAL INTEREST THEREIN) THAT IS DETERMINED NOT TO HAVE BEEN A U.S. PERSON WHO WAS BOTH A QUALIFIED INSTITUTIONAL BUYER AND A QUALIFIED PURCHASER (AND TO HAVE MET THE OTHER REQUIREMENTS SET FORTH IN CLAUSES (A)(1) THROUGH (A)(9) OF THIS PARAGRAPH AT THE TIME OF ACQUISITION OF SUCH NOTES (OR SUCH BENEFICIAL INTEREST)) TO SELL OR TRANSFER SUCH NOTES (OR SUCH BENEFICIAL INTEREST THEREIN) IN ACCORDANCE WITH THE PROVISIONS OF THIS PARAGRAPH, (7) IT, AND EACH PERSON FOR WHICH IT IS ACTING, UNDERSTAND THAT THE ISSUER MAY REQUEST A LIST OF THE PARTICIPANTS FROM DTC OR ANY OTHER DEPOSITORY HOLDING BENEFICIAL INTERESTS IN THE NOTES, (8) IT, AND EACH PERSON FOR WHICH IT IS ACTING, WILL PROVIDE NOTICE OF THE 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 CLAUSES (A)(1) THROUGH (A)(9) OF THIS PARAGRAPH AND (Y) AGREES NOT TO SUBSEQUENTLY TRANSFER THE NOTES OR ANY BENEFICIAL INTEREST THEREIN EXCEPT IN ACCORDANCE WITH THESE TRANSFER RESTRICTIONS, AND (9) IT IS AWARE THAT THE ISSUER, THE REGISTRAR (IN THE EVENT THAT DEFINITIVE NOTES ARE ISSUED), THE INITIAL PURCHASERS AND THEIR AFFILIATES, AND OTHERS WILL RELY UPON THE TRUTH AND ACCURACY OF THE FOREGOING ACKNOWLEDGEMENTS, REPRESENTATIONS AND AGREEMENTS AND IF IT IS ACQUIRING ANY NOTES FOR THE ACCOUNT OF ONE OR MORE PERSONS EACH OF WHOM IS A U.S. PERSON WHO IS A QUALIFIED INSTITUTIONAL BUYER AND ALSO A QUALIFIED PURCHASER, IT REPRESENTS THAT IT HAS SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT AND THAT IT HAS FULL POWER TO MAKE THE FOREGOING ACKNOWLEDGEMENTS, REPRESENTATIONS AND AGREEMENTS ON BEHALF OF EACH SUCH ACCOUNT 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 904 UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

(5) If you are relying on the exemption from the registration requirements of Rule 144A of the Securities Act, you, and each person or account for which you are purchasing or otherwise acquiring such Notes (or beneficial interest therein), will purchase, hold or transfer at least U.S. $100,000 of the Notes (or beneficial interests therein) and shall not sell participation interests in any Notes.

(6) If you, or any other person for which you are acting, is an investment company excepted from the Investment Company Act pursuant to Section 3(c)(1) or Section 3(c)(7) thereof (or a foreign investment company under Section 7(d) thereof relying on Section 3(c)(1) or Section 3(c)(7) with respect to its holders that are U.S. persons) and were formed on or before April 30, 1996, you have received consent of the beneficial owners who acquired their interest on or before April 30, 1996,

with respect to its treatment as a Qualified Purchaser in the manner required by Section 2(a)(51)(c) of the Investment Company Act and the rules promulgated thereunder.

(7) 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 Company and Guarantor 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.

(8) You are aware that in connection with the purchase of the Notes: (i) neither the Cayman Trustee, in its capacity as trustee, nor any 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) of the Cayman Trustee, in its capacity as trustee, or the initial purchasers other than, in the case of the Cayman Trustee, in its capacity as trustee, in a current offering circular for such Notes; (iii) neither the Cayman Trustee, in its capacity as trustee, nor any 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 the Cayman Trustee, in its capacity as trustee, or any initial purchaser.

(9) 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 (13) hereof will be null and void *ab initio* and not honored by the Company.

(10) You, and each person for which you are acting, agree that the Cayman Trustee, in its capacity as trustee, shall be entitled to require any holder of Notes (or any holder of a beneficial interest therein) that is determined not to have been a U.S. Person who was both a QIB and a Qualified Purchaser (and to have met the other requirements set forth in these paragraphs (1) through (13)) at the time of acquisition of such Notes (or such beneficial interest) to sell or transfer such Notes (or such beneficial interest therein) in accordance with the provisions described herein.

(11) You, and each person for which you are acting, understand that the Cayman Trustee, in its capacity as trustee, may request a list of the participants from DTC or any other depository holding beneficial interests in the Notes (*i.e.*, in the Global Notes).

(12) 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 (13) hereof and (y) agrees not to subsequently transfer the Notes or any beneficial interest therein except in accordance with these transfer restrictions.

(13) You are aware that the Cayman Trustee, in its capacity as trustee, the Registrar (in the event that definitive Notes are issued), 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 and also a Qualified Purchaser, 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.

(14) Either (i) you are not and for so long as you hold Notes will not be an entity, such as a collective investment fund or separate account whose underlying assets include the assets of "employee benefit plans: (as defined in Section 3(3) of ERISA) (each, an "ERISA Plan"), an entity whose underlying assets include the assets of any such ERISA Plan or other plan, or a governmental or other employee benefit plan which is subject to any U.S. federal, state or local law, or foreign law, that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (ii) your purchase and holding of the Notes will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code for which an exemption is not available or, in the case you are a governmental or other employee benefit plan not subject to ERISA (or an entity whose underlying assets include the assets of any such plan), transactions by or with you are not or will not be in violation of any U.S. federal, state or local statutes or foreign law applicable to you regulating investments of and fiduciary obligations with respect to such plan (in each case, as described in "Certain ERISA Considerations").

NOTICE TO NON-U.S. INVESTORS

The Notes are being offered exclusively to persons who trade or invest in securities in the conduct of their profession or trade, which includes banks, securities intermediaries (including dealers and brokers), insurance companies, pension funds, other institutional investors and commercial enterprises that, as an ancillary activity, regularly invest in securities.

NOTICE TO CANADIAN INVESTORS

Resale Restrictions

The distribution of the Notes in Canada is being made only on a private placement basis exempt from the requirement that the Bank or the Trust prepare and file a prospectus with the securities regulatory authorities in each province where trades of the Notes are made. Any resale of the Notes in Canada must be made under applicable securities laws which may vary depending on the relevant jurisdiction, and which may require resales to be made under available statutory exemptions or under a discretionary exemption granted by the applicable Canadian securities regulatory authority. Purchasers are advised to seek legal advice prior to any resale of the Notes.

Representations of Purchasers

By purchasing the Notes in Canada and accepting delivery of a purchase confirmation, a purchaser is representing to us and the dealer from whom the purchase confirmation is received that:

- the purchaser is entitled under applicable provincial securities laws to purchase the Notes without the benefit of a prospectus qualified under those securities laws as it is an "accredited investor" as defined under National Instrument 45-1*06-Prospectus and Registration Exemption*,

- the purchaser is a "permitted client" as defined in national Instrument *3l-103-Prospectus and Registration Exemption*,

- where required by law, the purchaser is purchasing as principal and not as agent,

- the purchaser has reviewed the text above under "Resale Restrictions," and

- the purchaser acknowledges and consents to the provision of specified information concerning the purchase of the Notes to the regulatory authority that by law is entitled to collect the information, including certain personal information. For purchasers in Ontario, questions about such indirect collection of personal information should be directed to Administrative Support Clerk, Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario M5H 3S8 or on (416) 593-3684.

Rights of Action—Ontario Purchasers Only

Under Ontario securities legislation, certain purchasers who purchases a security offered by this circular during the period of distribution will have a statutory right of action for damages, or while still the owner of the Notes, for rescission against us in the event that this offering circular contains a misrepresentation without regard to whether the purchaser relied on the misrepresentation. The right of action for damages is exercisable not later than the earlier of 180 days from the date the purchaser first had knowledge of the facts giving rise to the cause of action and three years from the date on which payment is made for the notes. The right of action for rescission is exercisable not later than 180 days from the date on which payment is made for the Notes. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against the Trust. In no case will the amount recoverable in any action exceed the price at which the Notes were offered to the purchaser and if the purchaser is shown to have purchased the securities with knowledge of the misrepresentation, and the Trust will have no liability. In the case of an action for damages, the Trust will not be liable for all or any portion of the damages that are proven to not represent the depreciation in value of the Notes as a result of the misrepresentation relied upon. These rights are in addition to, and without derogation from, any other rights or remedies available at law to an Ontario purchaser. The foregoing is a summary of the rights available to an Ontario purchaser. Ontario purchasers should refer to the complete text of the relevant statutory provisions.

Enforcement of Legal Rights

All of the Bank's and the Trust's directors and officers as well as the experts named herein may be located outside of Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon the Bank or the Trust or those persons. All or a substantial portion of the Bank's assets and the assets of those persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against the Bank or the Trust or those persons in Canada or to enforce a judgment obtained in Canadian courts against the Bank or the Trust or those persons outside of Canada.

Taxation and Eligibility for Investment

Canadian purchasers of the Notes should consult their own legal and tax advisors with respect to the tax consequences of an investment in the Notes in their particular circumstances and about the eligibility of the Notes for investment by the purchaser under relevant Canadian legislation.

GENERAL INFORMATION

Clearing Systems

The Notes have been accepted for trading in book-entry form by DTC. The CUSIP and ISIN numbers for the notes are as follows:

144A note CUSIP	144A note ISIN	144A note Common code
212141AA3	US212141AA33	054783221

Regulation S note CUSIP	Regulation S note ISIN	Regulation S note Common code
G23909AA5	USG23909AA53	054770715

Listing

Application has been made to admit to listing 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 and the Trust 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.

The Notes have not been and will not be registered with CONASEV or with the BVL, and may not be offered or sold publicly, or otherwise be subject of brokerage activities in Peru.

Authorization

The Trust obtained all necessary consents, approvals and authorizations in connection with the issuance and performance of the Notes on October 6, 2010.

Responsibility and No Material Adverse Change

The Bank and the Trust accept responsibility for the information contained in this offering circular and, to the best of the knowledge and belief of the Bank and the Trust, 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 or the Trust 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 or the Trust since September 30, 2010.

No Litigation

Except as disclosed herein, neither the Bank nor the Trust are 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 or the Trust 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 *Luxembourg Wort*) or on the

Luxembourg Stock Exchange website (www.bourse.lu). 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 will be passed upon for us by Milbank, Tweed, Hadley & McCloy LLP, New York, New York, Miranda & Amado Abogados, Lima, Peru and Maples and Calder, Grand Cayman, Cayman Islands. Certain legal matters will be passed upon for the initial purchaser by Cleary Gottlieb Steen & Hamilton LLP, New York, New York and Estudio Rubio, Leguía Normand & Asociados, Lima, Peru.

INDEPENDENT AUDITORS

The consolidated financial statements of Banco Continental S.A. and subsidiaries as of December 31, 2009 and 2008 and for each of the years in the two-year period ended December 31, 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. The consolidated financial statements of Banco Continental S.A. and subsidiaries as of December 31, 2007 and 2006 and for each of the years in the two-year period ended December 31, 2007, included in this offering circular, have been audited by Dongo-Soria Gaveglio y Asociados, S.C., independent auditors, a Peruvian entity that is a member firm of PricewaterhouseCoopers, as stated in its report appearing in this offering circular.

ANNEX A—PRINCIPAL DIFFERENCES AMONG PERUVIAN GAAP, U.S. GAAP AND IFRS (AS ADOPTED BY THE IASB)

Financial institutions in Peru prepare and present their financial statements in accordance with legal regulations and generally accepted accounting principles in Peru applicable to financial institutions ("Peruvian GAAP"), which comprise accounting standards and practices authorized by SBS by virtue of the authority conferred in accordance with the General Law. These regulations are contained within the Accounting Manual for financial institutions and supplementary regulations.

The SBS has stated that in case situations unforeseen by these standards arise, Peruvian GAAP should be applied and, in cases unforeseen by Peru GAAP, GAAP in force in the United States of America (US GAAP) issued by the Financial Accounting Standards Board (FASB) should be applied.

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 December 31, 2009. 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 our financial statements and those prepared under IFRS or U.S. GAAP. In addition, we cannot estimate the net effect that applying IFRS or U.S. GAAP would have on our consolidated result of operations or consolidated financial position or any component thereof, in any of the presentations of individually or in aggregate, material, and in particular, as a result of such, it may be that the total shareholders' equity, prepared on the basis of Peruvian GAAP would be materially different from the shareholders' equity 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 reported.

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, there are generic principles about 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 that contain significant presentational differences in respect of cash flow statement according to 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, presentational 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. Each requires consolidation of all controlled entities if they are significant, irrespective of the sector in which they operate. In the event that the subsidiaries are not significant, they are not consolidated, but must be recorded using the equity method.

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, all entities are first evaluated as potential variable interest entities. Entities controlled by voting rights are consolidated as subsidiaries.

Under Peruvian GAAP and IFRS (SIC 12), an enterprise is required to consolidate special purpose entities, when the substance of the relationship between them indicates that the enterprise controls the special purpose entity.

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 fair value, including transaction costs that are directly attributable to the acquisition, and thereafter, are recorded following the equity participation method.

Under IFRS (IAS 28) and U.S. GAAP (ASC 323) all the associates in which an entity has significant influence are accounted for using the equity method. For this purpose, 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. The other investments not considered associates should usually be considered as available for-sale securities, if they are marketable securities as per ASC 320.

Amortization of Goodwill (Business Combinations)

Under Peruvian GAAP and IFRS, goodwill is not amortized but it is subject to an annual impairment test and the negative goodwill must be recognized immediately as income.

Under Peruvian GAAP, financial entities that generated goodwill before January 1, 2010, can still amortize it until five years from its generation date.

Under U.S. GAAP, positive goodwill and certain identifiable intangibles (with indefinite lives) are capitalized, but not amortized and is subject to an annual impairment test.

Impairment of Goodwill

Peruvian GAAP (since January 1, 2010), IFRS and U.S. GAAP require goodwill to be reviewed at least annually for impairment and more frequently if impairment indicators are present.

Under IFRS, the method of determining impairment of goodwill requires that an impairment test should be done at the cash generating unit ("CGU") level by comparing the CGU's carrying amount, including goodwill, with its recoverable amount. Impairment loss on the CGU (amount by which the CGU's carrying amount, including goodwill, exceeds its recoverable amount) is allocated first to reduce goodwill to zero, then, subject to certain limitations, the carrying amounts of other assets in the CGU are reduced pro rata, based on the carrying amounts of each asset.

Under U.S. GAAP, the method of determining impairment of goodwill requires a recoverability test to be performed first at the reporting unit level (carrying amount of the reporting unit is compared to the reporting unit's fair value).

If the carrying amount of the reporting unit exceeds its fair value, then impairment testing must be performed. The impairment loss is the amount by which the carrying amount of goodwill exceeds the implied fair value of the goodwill within its reporting unit.

Property, Furniture and Equipment

Under IFRS, a company has the alternative to account for certain fixed assets at amortized historical cost or re-value to fair value. Under U.S. GAAP, 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 no less than 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 ASC 350 compares the carrying value for each reporting unit to its fair value.

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 remeasured at fair value. Available-for-sale investments and held-to-maturity investments are initially recognized at cost including acquisition costs and subsequently remeasured at fair value. 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 fair value, including transaction costs that are directly attributable to the acquisition, and thereafter, are recorded following the equity participation method.

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, under IFRS and U.S. GAAP are carried at fair value. Gains or losses on remeasurement 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.

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, an 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 an impairment.

Under Peruvian GAAP and IFRS, impairment losses recognized through the income statement for available-for-sale equity securities cannot be reversed through the income statement for future recoveries. However, impairment losses for debt instruments classified as available-for-sale 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, an 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 a held-to-maturity 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. Under U.S. GAAP, the impairment loss of a held-to-maturity 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 a held-to-maturity 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 held-to-maturity 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. 11359- 2008, which will replace 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 a separate income line item under other income. 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 US rules on various categories of leases, most notably for real estate transactions.

Although the US 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, derivative financial instruments are initially recognized at cost and subsequently measured at fair value. Under 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 IFRSs 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, IFRSs and U.S. GAAP.

As detailed elsewhere in the offering circular, the SBS has approved the Regulations for the Trading and Accounting Recording of Derivative Financial Instruments in Companies of the Financial System, which establishes accounting criteria for derivative financial instruments under Peruvian GAAP, which are consistent with IAS, Financial Instruments: Recognition, and Measurement effective in Peru; however, the SBS allows more transactions to be considered for hedge accounting than IAS 39.

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 (based on 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 stand by 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 450) is similar to IFRS. However, 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) 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.

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.

ANNEX B—INTERIM UNAUDITED CONSOLIDATED FINANCIAL INFORMATION AS OF SEPTEMBER 30, 2010 AND FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009

Set forth below is the Bank's interim unaudited consolidated financial information as of and for the nine-month periods ended September 30, 2010 and 2009.

In the opinion of management, the interim consolidated 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 nine months are not, however, necessarily indicative of results to be expected for the full year.

This information should be read in conjunction with the Interim Condensed Consolidated Financial Statements as well as the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Selected Statistical Information."

Consolidated Statements of Income

	For the nine-month periods ended September 30,		
	2010[1]	**2010**	**2009**
Statement of Income Data	***(U.S. Dollars in thousands)***	***(Nuevos Soles in thousands)***	
Financial income	671,624	1,871,815	2,129,894
Financial expenses	(135,653)	(378,064)	(567,834)
Gross financial margin	**535,971**	**1,493,751**	**1,562,060**
Provision for loan losses, net of recoveries (2)	(72,037)	(200,767)	(242,073)
Net financial margin	**463,934**	**1,292,984**	**1,319,987**
Income from financial services, net	144,507	402,740	353,749
Administrative expenses (3)	(217,756)	(606,886)	(562,581)
Other income (expense), net	(13,799)	(38,458)	(50,763)
Income before workers' profit sharing and income tax	**376,886**	**1,050,380**	**1,060,392**
Workers' profit sharing	(13,308)	(37,089)	(41,059)
Income tax	(95,238)	(265,428)	(290,660)
Net income	**268,340**	**747,863**	**728,673**

(1) Data expressed in U.S. Dollars for the period ended September 30, 2010 has been translated at the rate of S/. 2.787 per US$ 1.00, based on the exchange rate reported by the SBS on September 30, 2010.
(2) Provisions for loan losses include provisions with respect to total direct loans. Direct loans represent outstanding loans while indirect loans include guarantees and stand by letters of credit, import and export letters of credit and due from bank acceptances.
(3) Administrative expenses includes personnel, general and depreciation and amortization expenses.

Consolidated Balance Sheets

Balance Sheet Data	As of September 30, 2010 (1)	2010	2009
	(U.S. Dollars in thousands)	*(Nuevos Soles in thousands)*	
Cash and due from banks	1,656,201	4,615,832	4,608,028
Interbank funds	7,177	20,002	25,188
Investments in securities, net	2,249,034	6,268,059	4,407,823
Total loans, net (2)	7,943,984	22,139,884	19,447,273
Investments in associates	667	1,858	1,755
Property, furniture and equipment, net	148,313	413,347	337,880
Other assets	452,317	1,260,607	1,152,672
Total Assets	**12,457,693**	**34,719,589**	**29,980,619**
Deposits and other obligations	8,659,145	24,133,037	21,512,421
Demand deposits	2,946,295	8,211,323	5,795,192
Saving deposits	1,933,365	5,388,288	4,432,721
Time deposits	3,557,309	9,914,219	10,401,340
Deposits from financial institutions	179,235	499,529	745,598
Other Obligations	42,942	119,678	137,570
Interbank funds	3,588	10,001	345,518
Liabilities to banks and correspondents	1,594,100	4,442,758	2,565,434
Securities, bonds and outstanding obligations	669,249	1,865,196	1,734,943
Other liabilities	411,166	1,145,920	1,122,922
Total liabilities	**11,337,249**	**31,596,912**	**27,281,238**
Total shareholders' equity	**1,120,444**	**3,122,677**	**2,699,381**
Total liabilities and shareholders' equity	**12,457,693**	**34,719,589**	**29,980,619**

(1) Data expressed in U.S. Dollars for the period ended September 30, 2010 has been translated at the rate of S/. 2.787 per US$ 1.00, based on the exchange rate reported by the SBS on September 30, 2010.

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

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.

	As of and for the nine months ended September 30,	
	2010	2009
	(Nuevos soles in thousands, except percentages)	
Profitability and efficiency:		
Return on average assets [(1)]	3.08%	3.06%
Return on average shareholders' equity [(2)]	33.17%	39.39%
Net interest margin [(3)]	7.63%	8.55%
Efficiency ratio [(4)]	32.00%	29.37%
Capitalization:		
Shareholders' equity as a percentage of total assets	8.99%	9.00%
Tangible common equity	1,843,427	1,471,243
Tier 1 capital as a percentage of risk-weighted assets	9.15%	9.13%
Regulatory capital as a percentage of risk-weighted assets	12.81%	13.50%
Credit quality data:		
Non-performing loans	294,420	199,706
Total non-performing loans over total gross loans	1.26%	0.97%
Provisions for loan losses as a percentage of total gross loans [(5)]	4.28%	3.91%
Provisions for loan losses as a percentage of non-performing loans [(5)]	340.97%	402.21%

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(1) Return on average assets was calculated as net income over average total assets. For September 2010, net income was annualized and the return on average assets was calculated over average total assets between September 2010 and December 2009. For September 2009, net income was annualized and the return on average assets was calculated over average total assets between September 2009 and December 2008.

(2) Return on average shareholders' equity was calculated as net income over average shareholders' equity. For September 2010, net income was annualized and the return on average shareholders' equity was calculated over average shareholders' equity between September 2010 and December 2009. For September 2009, net income was annualized and the return on average shareholders' equity was calculated over average shareholders' equity between September 2009 and December 2008.

(3) Net interest margin was calculated as gross financial margin over average interest earnings assets (interbank funds, available-for-sale securities and loans, net).

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

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

Results of Operations for the Nine Months Ended September 30, 2010 Compared to the Nine Months Ended September 30, 2009

The following table shows the principal components of the Bank's net income for the nine months ended September 30, 2010 and 2009.

	For the nine months ended September 30,		Percentage Change
	2010	**2009**	*(%)*
	(Nuevos Soles in thousands)		
Financial income	1,871,815	2,129,894	(12.1)
Financial expenses	(378,064)	(567,834)	(33.4)
Gross financial margin	1,493,751	1,562,060	(4.4)
Provision for loan losses net of recoveries	(200,767)	(242,073)	(17.1)
Net financial margin	1,292,984	1,319,987	(2.0)
Income from financial services, net	402,740	353,749	13.8
Operating profit margin	1,695,724	1,673,736	1.3
Administrative expenses	(606,886)	(562,581)	7.9
Other income (expense), net	(38,458)	(50,763)	(24.2)
Income before workers' profit sharing and income tax	1,050,380	1,060,392	(0.9)
Workers' profit sharing	(37,089)	(41,059)	(9.7)
Income tax	(265,428)	(290,660)	(8.7)
Net income	**747,863**	**728,673**	**2.6**

Net income for the nine months ended September 30, 2010 increased to S/. 747,863 thousand from S/. 728,673 thousand for the nine months ended September 30, 2009, an increase of S/. 19,190 thousand, or 2.6%, mainly driven by a lower interest rate environment, as well as other factors detailed below.

Gross Financial Margin

The gross financial margin decreased 4.4% to S/. 1,493,751 thousand for the nine months ended September 30, 2010 compared to S/. 1,562,060 thousand for the nine months ended September 30, 2009. This decrease was mainly due to a decrease of 42.5% in non-interest margin (calculated as non-interest income minus non-interest expenses, each defined herein) offset in party by an increase of 12.5% in interest margin (calculated as interest income minus interest expenses).

The following table sets forth the principal components of gross financial margin for the nine months ended September 30, 2010 and September 30, 2009.

	For the nine months ended September 30,		Percentage Change
	2010	**2009**	*(%)*
	(Nuevos Soles in thousands)		
Financial income	**1,871,815**	**2,129,894**	**(12.1)**
Interest on loans	1,517,016	1,637,959	(7.4)
Income from changes in fair value, revenue, interest and gain on sales of investment securities	179,772	312,851	(42.5)
Interest on cash and due from banks	4,181	6,090	(31.3)
Result on foreign exchange	153,266	143,139	7.1
Gain from financial derivative instruments trading	0	21,898	(100.0)
Dividends and share profit from permanent investments	419	217	93.1
Interest and commissions on inter-bank funds	507	532	(4.7)

	For the nine months ended September 30,		Percentage Change
	2010	**2009**	*(%)*
	(Nuevos Soles in thousands)		
Readjustment indexation	10,637	3,132	239.6
Other financial income	6,017	4,076	47.6
Financial expenses	**(378,064)**	**(567,834)**	**(33.4)**
Interest on deposits	(168,321)	(319,925)	(47.4)
Interest on due to banks and international financial organizations	(60,777)	(157,593)	(61.4)
Insurance deposit premiums fund	(20,430)	(19,427)	5.2
Interest on outstanding securities, bonds and obligations	(59,572)	(61,811)	(3.6)
Gain (loss) from financial derivative instruments, trading	(58,491)	0	
Readjustment Indexation	(6,911)	(927)	645.5
Other financial expenses	(3,562)	(8,151)	(56.3)
Gross financial margin	**1,493,751**	**1,562,060**	**(4.4)**

Financial Income

Financial income decreased 12.1% to S/. 1,871,815 thousand for the nine months ended September 30, 2010 compared to S/. 2,129,894 thousand for the nine months ended September 30, 2009, mainly due to the general fall in average market interest rates in the Peruvian market. This decrease includes a decrease of 6.9% in interest income (which includes interest on loans, interest on cash and due from banks, dividends and share profit from permanent investments, interest and commissions on interbank funds, readjustment indexation and other financial income) primarily resulting from a 7.4% decrease in interest charged on loans. The decrease in financial income is also due to a decrease of 30.3% in non-interest income (which includes income from changes in fair value, revenue, interest and gain on sales of investment securities, results on foreign exchange and gains from financial derivative instruments trading) primarily resulting from a 42.5% decrease in income from changes in fair value, revenue, interest and gain on sales of investment securities. This decrease takes into account the fact that in the nine months ended September 30, 2009 the Bank recognized a gain from its position in the sovereign bonds.

Financial Expenses

Financial expenses decreased 33.4% to S/. 378,064 thousand for the nine months ended September 30, 2010 from S/. 567,834 thousand for the nine months ended September 30, 2009. This decrease includes a decrease of 43.7% in interest expense (which include interest on deposits, interest due to banks and international financial organizations, insurance deposit premiums fund, interest on outstanding securities bonds and obligations, readjustment indexation and other financial expenses) primarily resulting from a decrease in interest on deposits and on due to banks 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 an increase in non-interest expense (which include gain (loss) from financial derivative instruments and trading). The increase in non-interest expense was primarily due to an increase of S/. 58,491 thousand in loss from financial derivative instruments for the nine months ended September 30, 2010 compared to a gain of S/. 21,898 thousand for the nine months ended September 30, 2009. The loss was mainly due to the decrease in the LIBOR U.S. Dollar rate and its impact on the Bank's interest rate swap position.

Financial expenses decreased more than financial income given the greater flexibility the Bank has to reprice interest rates for deposits.

Provisions

Provisions decreased 17.1% to S/. 200,767 thousand for the nine months ended September 30, 2010 from S/. 242,073 thousand for the nine months ended September 30, 2009. The decrease in provisions was partially due to the decision of the SBS to temporarily suspend a pro-cyclical provision it required banks to make in 2009. More importantly, the decrease resulted from the impact of a new SBS rule related to borrowers evaluation and classification and provision requirements. This new rule requires lower provisions for indirect loans and the Bank was allowed to release approximately S/. 24 million in July 2010. Provisions as of September 30, 2010 exclude provisions for indirect loans.

Net Financial Margin

Net financial margin decreased 2.0% to S/. 1,292,984 thousand for the nine months ended September 30, 2010 from S/. 1,319,987 thousand for the nine months ended September 30, 2009, as a result of the factors explained above.

Income from Financial Services, Net

Income from financial services increased 13.8% to S/. 402,740 thousand for the nine months ended September 30, 2010 from S/. 353,749 thousand for the nine months ended September 30, 2009.

The following table sets forth the components of income from financial services for the nine months ended September 30, 2010 and September 30, 2009:

	For the nine months ended September 30,		Percentage Change
	2010	2009	*(%)*
	(Nuevos Soles in thousands)		
Income from financial services, net	**402,740**	**353,749**	**13.8**
Income from contingent operations	99,175	76,221	30.1
Income from various financial services	303,565	277,528	9.4

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

- Income from contingent operations, net, increased 30.1% to S/. 99,175 thousand for the nine months ended September 30, 2010 from S/. 76,221 thousand for the nine months ended September 30, 2009. This increase was mainly due to the continued growth of guarantee issuances and the recovery of external trade activities.

- Income from various financial services increased 9.4% to S/. 303,565 thousand for the nine months ended September 2010 from S/. 277,528 thousand for the nine months ended September 2009 mainly as a result of the increase in commissions for renewal of credit and debit cards, maintenance on-demand and savings deposits, transfers, mutual fund distributions, insurance distributions, e-banking, financial advisory services and others.

Administrative Expenses

Administrative expenses increased 7.9% to S/. 606,886 thousand for the nine months ended September 30, 2010 from S/. 562,581 thousand for the nine months ended September 30, 2009.

The following table sets forth the components of administrative expenses for the nine months ended September 30, 2010 and 2009:

	For the nine months ended September 30,		Percentage Change
	2010	2009	*(%)*
	(Nuevos Soles in thousands)		
Administrative expenses	**(606,886)**	**(562,581)**	**7.9**
Personnel and directors' expenses	(289,436)	(279,725)	3.5
General expenses	(277,680)	(245,901)	12.9
Depreciation and amortization	(39,770)	(36,955)	7.6

- Personnel and directors’ expenses increased 3.5% to S/. 289,436 thousand for the nine months ended September 30, 2010 from S/. 279,725 thousand for the nine months ended September 30, 2009. This increase was mainly due to the opening of new branches.

- General expenses increased 12.9% to S/. 277,680 thousand for the nine months ended September 30, 2010 from S/. 245,901 thousand for the nine months ended September 30, 2009 as a result of an increase in three main components: (i) investment in branches and ATMs, which generated expenses related to rent, maintenance, general services, office supplies, transport of money, surveillance and communication, (ii) the implementation of new projects focused on quality and serving specific customer segments and (iii) the natural expansion of the business.

- Depreciation and amortization increased 7.6% to S/. 39,770 thousand for the nine months ended September 30, 2010 from S/. 36,955 thousand for the nine months ended September 30, 2009. This increase was mainly due to the accelerated depreciation of low value assets.

Other Income (Expense), Net

Other income (expense), net, decreased 24.2% to S/. 38,458 thousand for the nine months ended September 30, 2010 from S/. 50,763 thousand for the nine months ended September 30, 2009. This increase was mainly due to the following factors:

	For the nine months ended September 30,		**Percentage Change**
	2010	**2009**	*(%)*
	(Nuevos Soles in thousands)		
Other income (expense), net	**(38,458)**	**(50,763)**	**(24.2)**
Provisions for accounts receivable	(25,315)	(38,162)	(33.7)
Recovery for assets seized and recovered through legal actions	(2,145)	(1,224)	75.2
Provisions for contingent operations	(20,177)	(19,298)	4.6
Other provisions	(5,940)	(5,408)	9.8
Income from recovery of loan portfolio previously written-off	11,664	7,229	61.4
Other income (expense), net	3,455	6,100	(43.4)

Income before Workers’ Profit Sharing and Income Tax

Income before workers’ profit sharing and income tax decreased 0.9% to S/. 1,050,380 thousand for the nine months ended September 30, 2010 from S/. 1,060,392 thousand for the nine months ended September 30, 2009.

Workers’ Profit Sharing

Workers’ profit sharing decreased 9.7% to S/. 37,089 thousand for the nine months ended September 30, 2010 from S/. 41,059 thousand for the nine months ended September 30, 2009.

Income Taxes

Income tax expense decreased 8.7% to S/. 265,428 thousand for the nine months ended September 30, 2010 from S/. 290,660 thousand for the nine months ended September 30, 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 income from investments 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% for the nine months ended September 30, 2010, compared to 27.4% for the nine months ended September 30, 2009.

Net Income

Net income increased 2.6% to S/. 747,863 thousand for the nine months ended September 30, 2010 from S/. 728,673 thousand for the nine months ended September 30, 2009 as a result of the reasons discussed above.

Assets

The following table sets forth the Bank's assets as well as the percentages each item represents of total assets as of September 30, 2010 and December 31, 2009, 2008 and 2007.

	As of September 30, 2010		As of December 31, 2009		As of December 31, 2008		As of December 31, 2007	
	Balance	**% of total**	**Balance**	**% of total**	**Balance**	**% of total**	**Balance**	**% of total**
	(*S/. thousands, except percentages*)							
Cash and due from banks	4,615,832	13.29	4,867,209	16.19	6,936,571	20.74	4,595,336	18.58
Interbank funds	20,002	0.06	49,003	0.16	27,505	0.08	120,016	0.49
Investments at fair value through profit and loss, Available-for- sale investments and held to maturity, net	6,268,059	18.05	3,923,508	13.05	4,250,339	12.71	2,812,292	11.37
Loans, net	22,139,884	63.77	19,797,656	65.87	20,568,445	61.50	16,227,660	65.62
Investments in associated, net	1,858	0.01	1,908	0.01	1,458	0.00	6,297	0.03
Property, furniture and equipment, net	413,347	1.19	388,674	1.29	353,281	1.06	290,660	1.18
Other assets	1,260,607	3.63	1,028,992	3.42	1,306,549	3.91	679,027	2.75
Total assets	**34,719,589**	**100.00**	**30,056,950**	**100.00**	**33,444,148**	**100.00**	**24,731,288**	**100.00**

Total Assets

The Bank had total assets of S/. 34,719,589 thousand as of September 30, 2010, compared to S/. 30,056,950 thousand as of December 31, 2009, representing an increase of 15.5%, mainly due to an increase in the loan portfolio and increases in investments.

Cash and due from Banks

Cash and due from banks consists of cash, deposits in the 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/. 4,615,832 thousand as of September 30, 2010, compared to S/. 4,867,209 thousand as of December 31, 2009, representing a decrease of 5.2%.

Interbank Funds

The Bank had interbank funds of S/. 20,002 thousand as of September 30, 2010, compared to S/. 49,003 thousand as of December 31, 2009. This decrease was a result of the liquidity strategy of the Bank's treasury, which was influenced by the monetary policy of the Central Bank.

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

Investments at fair value through profit and loss, available-for-sale investments and held to maturity investments, net, consist of repurchase agreements, bonds, BCRP certificates of deposits, participation in mutual funds, commercial papers, other investments and accrued interest, less provision from value of fluctuation of investments. The Bank had investments in securities of S/. 6,268,059 thousand as of September 30, 2010, compared to S/. 3,923,508 thousand as of December 31, 2009, representing an increase of 59.8%. This increase relates to a new strategy by our treasury department to increase its liabilities and investments in Certificate of Deposits (CDs) of the Central Bank, thereby gaining a spread.

Total Gross Loans

The Bank had total gross loans of S/. 23,429,494 thousand as of September 30, 2010, compared to S/. 20,999,689 thousand as of December 31, 2009, representing an increase of 11.6%, mainly due to the increase in intermediation activity as a result of the pick-up in economic growth in the country.

Retail Loans

As of September 30, 2010, the Bank had retail loans, which include mortgage loans, of S/. 6,454,014 thousand compared to S/. 5,775,547 thousand as of December 31, 2009, representing an increase of 11.7%. This increase was mainly the result of an increase of S/. 606,644 thousand in mortgage loans.

Retail loans have grown consistently over the past three years, particularly mortgages loans, with an increase of 90.9% from December 31, 2007 to September 30, 2010. 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 the Bank has improved its processes to accelerate approvals and disbursements.

Commercial Loans

As of September 30, 2010, the Bank had commercial loans of S/. 16,359,784 thousand compared to S/. 14,724,072 thousand as of December 31, 2009, representing an increase of 11.1%. This increase is due to an increase in working capital and long-term financing, as well as the acceleration in trade finance activities.

Non-Performing Loans

There has been an increase in non-performing loans due to the deterioration of the economy as a result of the financial crisis. Despite this deterioration, the Bank maintains the best asset quality of banks in the Peruvian banking system based on information published by the SBS.

Despite an absolute increase in the amount of non-performing loans to S/. 294,420 thousand as of September 30, 2010, compared to S/. 217,387 thousand as of December 31, 2009, the amount of non-performing loans over total gross loans was 1.26% lower than the average of the banking system, which was 1.64%.

Provision for Loan Losses

The Bank had provision for loan losses of S/. 1,003,890 thousand as of September 30, 2010, compared to S/. 872,137 thousand as of December 31, 2009, representing an increase of 15.1%.

Investments in Associates, Net

The Bank had net investments in associates, net of S/. 1,858 thousand as of September 30, 2010, compared to S/. 1,908 thousand as of December 31, 2009, representing a decrease of 2.6%.

The net amount of investments in associates represents our participation in Telefónica Factoring Perú SAC.

Property, Furniture and Equipment, Net

The Bank had net property, furniture and equipment, net of S/. 413,347 thousand as of September 30, 2010, compared to S/. 388,674 thousand as of December 31, 2009, representing an increase of 6.3%. This increase was mainly due to the purchase of properties for our branches and the payment for the remodeling of our main building.

Other Assets

Other assets consist of financial instrument derivatives receivable, value added tax credit, deferred income tax and employees' profit share, prepaid and deferred expenses, other accounts receivable, operations in process, seized assets, net and other assets. The Bank had other assets of S/. 1,260,607 thousand as of September 30, 2010, compared to S/. 1,028,992 thousand as of December 31, 2009, representing an increase of 22.5%. This increase responds to an account receivable related to a syndicated loan whose funds were pending disbursement.

Liabilities

The following table sets forth the Bank's liabilities as well as the percentages each item represents of total liabilities as of September 30, 2010 and December 31, 2009, 2008 and 2007.

	As of September 30, 2010		As of December 31, 2009		As of December 31, 2008		As of December 31, 2007	
	Balance	**% of total**	**Balance**	**% of total**	**Balance**	**% of total**	**Balance**	**% of total**
	(*S/. thousands, except percentages*)							
Deposits and other obligations	24,133,037	69.51	21,513,690	71.58	20,915,871	62.54	17,227,967	69.66
Demand and savings deposits	13,599,611	39.17	11,771,753	39.16	9,742,981	29.13	7,772,652	31.43
Time deposits	9,914,219	28.56	8,930,136	29.71	10,616,051	31.74	8,745,607	35.36
Deposits from financial institutions	499,529	1.44	610,450	2.03	403,989	1.21	530,935	2.15
Other obligations	119,678	0.34	201,351	0.67	152,850	0.46	178,773	0.72
Interbank funds	10,001	0.03	635,201	2.11	146,082	0.44	-	0.00
Liabilities to banks and correspondents	4,442,758	12.80	2,126,994	7.08	6,986,737	20.89	4,141,871	16.75
Bonds and other outstanding obligations	1,865,196	5.37	1,772,926	5.90	1,843,473	5.51	778,165	3.15
Other liabilities	1,145,920	3.30	1,119,327	3.72	1,318,268	3.94	583,123	2.36
Total liabilities	**31,596,912**	**91.01**	**27,168,138**	**90.39**	**31,210,431**	**93.32**	**22,731,126**	**91.91**
Total shareholders' equity	**3,122,677**	**8.99**	**2,888,812**	**9.61**	**2,233,717**	**6.68**	**2,000,162**	**8.09**
Total liabilities and shareholders' equity	**34,719,589**	**100.00**	**30,056,950**	**100.00**	**33,444,148**	**100.00**	**24,731,288**	**100.00**

Total Liabilities

The Bank had total liabilities of S/. 31,596,912 thousand as of September 30, 2010, compared to S/. 27,168,138 thousand as of December 31, 2009, representing an increase of 16.3%.

Deposits and Other Obligations

As of September 30, 2010, the Bank had total deposits of S/. 24,133,037 thousand compared to S/. 21,513,690 thousand as of December 31, 2009, representing an increase of 12.2%. This increase was mainly the result of an increase in demand, saving and time deposits of S/. 2,811,941 thousand.

Demand and Saving Deposits

As of September 30, 2010, the Bank had demand and saving deposits of S/. 13,599,611 thousand compared to S/. 11,771,753 thousand as of December 31, 2009, representing an increase of 15.5%. This increase is mainly the result of an increase in demand deposits of S/. 1,637,556 thousand and in saving deposits of S/. 190,302 thousand.

Time Deposits

As of September 30, 2010, the Bank had time deposits of S/. 9,914,219 thousand compared to S/. 8,930,136 thousand as of December 31, 2009, representing an increase of 11.0%.

Interbank Funds

The Bank had interbank funds of S/. 10,001 thousand as of September 30, 2010, compared to S/. 635,201 thousand as of December 31, 2009, representing a decrease of 98.4%. This decrease was a result of the liquidity strategy of the Bank's treasury, which was influenced by the monetary policy of the Central Bank.

Due to Banks and Correspondents

Due to banks and correspondents consist of REPO agreements with the Central Bank, and agreements with the Corporación Financiera de Desarrollo ("COFIDE"), "Mi Vivienda—Mi Hogar" program, obligations with financial institutions from abroad, international financial organizations and interest payable. The Bank had liabilities to banks and correspondents of S/. 4,442,758 thousand as of September 30, 2010, compared to S/. 2,126,994 thousand as of December 31, 2009, representing an increase of 108.9%. This increase was mainly due to an increase of S/. 420,223 thousand in long-term obligations with international financial organizations, a loan of S/. 557,400 thousand related to a diversified payment rights transaction and an increase of S/. 1,225,457 thousand in short-term obligations with foreign financial institutions.

Securities, Bonds and Outstanding Obligations

Securities, bonds and outstanding obligations consist of corporate bonds, subordinate bonds, leasing bonds, notes (debt instruments) and interest payable. As of September 30, 2010, the Bank had financial obligations of S/. 1,865,196 thousand compared to S/. 1,772,926 thousand as of December 31, 2009, an increase of 5.2%.

Other Liabilities

Other liabilities consist of financial instruments, derivatives payable, other provisions, accounts payable, provision for indirect loan losses, dividends and profit share payable, other accounts payable, operations in process, deferred income and other. As of September 30, 2010, the Bank had other liabilities of S/. 1,145,920 thousand compared to S/. 1,119,327 thousand of December 31, 2009, representing an increase of 2.4%.

Shareholders' Equity

Shareholders' equity consists of capital stock, other reserve, legal reserve, retained earnings and net income. As of September 30, 2010, the Bank's shareholders' equity was S/. 3,122,677 thousand compared to S/. 2,888,812 thousand as of December 31, 2009, representing an increase of 8.1%.

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 Audited 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/. 735,182 thousand as of September 30, 2010 and S/. 576,993 thousand as of December 31, 2009. Letters of credit increased in the first nine months of 2010 due to a recovery in external trade, which had decreased in 2009 as a result of the 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 as of September 30, 2010 was 12.81%, while its credit risk ratio was 12.99%. Both solvency indicators are within regulatory limits and international standards for financial institutions with investment grade ratings. On October 7, 2010, we entered into a U.S.$200,000,000 loan agreement for a term of 30 years which qualified as Tier 1 capital. The amounts set forth below do not give effect to this incurrence of debt.

	As of ,	
	September 30, 2010	**December 31, 2009**
	(Nuevos Soles in millions)	
Risk weighted assets (I)	**23,882**	**19,207**
Total regulatory capital (II)	3,247	2,755
Regulatory capital for credit risk (III)	3,103	2,613
Regulatory capital for market risk (IV)	64	69
Regulatory capital for operational risk (V)	80	73
Leveraging Ratios:		
Capital adequacy ratio (II/ [I + K*(IV+V)])	12.81%	13.31%
Weighting factor (K)	10.2x	10.5x
Effective limit	9.8%	9.5%

For additional information regarding the Bank's capital adequacy and regulatory capital requirements for credit risk, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Adequacy."

INDEX TO FINANCIAL STATEMENTS

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Banco Continental S.A. and Subsidiaries

Independent Auditors' Report

Consolidated Financial Statements
Years ended December 31, 2009 and 2008

Translation of a report originally issued in Spanish

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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, 2009 and 2008, and the related consolidated statements of income, of changes in shareholders' equity and of cash flows for the years 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 control 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 performing a risk assessment, the auditor considers internal control relevant to the Bank's preparation and fair presentation of their consolidated financial statements, in order to design audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank'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 Banco Continental S.A. and Subsidiaries as of December 31, 2009 and 2008, and their consolidated financial performance and their consolidated cash flows for the years then ended, in accordance with accounting principles generally accepted in Peru for financial entities.

Emphasis of situation

7. As described in Note 2 (h) to the accompanying consolidated financial statements, in March 2009 Grupo Continental changed the classification and valuation method of its investment portfolio in accordance with Resolution SBS No. 10639-2008, which resulted in an unrealized gain in equity in the amount of S/.59.8 million as of December 31, 2009.

8. 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 9, 2010

BANCO CONTINENTAL S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2009 AND 2008

ASSETS	Notes	2009	2008	LIABILITIES AND SHAREHOLDERS' EQUITY
		S/.000	S/.000	
CASH AND DUE FROM BANKS:	4			OBLIGATIONS TO THE PUBLIC AND DEPOSITS
Cash and deposits in Peruvian Central Bank		4,474,145	6,262,622	OF FINANCIAL INSTITUTIONS
Deposits in local and foreign banks		332,499	576,098	Demand deposits
Clearing accounts		51,786	89,583	Savings deposits
Other deposits		8,434	7,140	Time deposits
Accrued interest on cash and due from banks		345	1,128	Deposits received from financial institutions
				Other obligations
Total		4,867,209	6,936,571	Accrued interest payable
INTER-BANK FUNDS		49,003	27,505	Total
INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS, AVAILABLE-FOR-SALE AND HELD TO MATURITY, net	5	3,923,508	4,250,339	INTER-BANK FUNDS
				DUE TO BANKS AND CORRESPONDENTS
LOANS, net	6	19,797,656	20,568,445	SECURITIES, BONDS AND OUTSTANDING OBLIGATIONS
INVESTMENTS IN ASSOCIATED COMPANIES		1,908	1,458	OTHER LIABILITIES
PROPERTY, FURNITURE AND EQUIPMENT, net	7	388,674	353,281	TOTAL LIABILITIES
OTHER ASSETS	8	1,028,992	1,306,549	SHAREHOLDERS' EQUITY:
				Capital stock
TOTAL ASSETS		30,056,950	33,444,148	Special reserve
				Legal reserve
				Retained earnings
				Total
				TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY
CONTINGENT AND OFF-BALANCE SHEET ACCOUNTS	15			CONTINGENT AND OFF-BALANCE SHEET ACCOUNTS
Contingent accounts		19,815,202	22,643,764	Contingent accounts
Off-balance sheet accounts		90,041,844	85,618,911	Off-balance sheet accounts
Trusts and administrations		6,247,897	5,850,018	Trusts and administrations
Total		116,104,943	114,112,693	Total

The accompanying notes are an integral part of these financial statements.

BANCO CONTINENTAL S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	Notes	2009 S/.000	2008 S/.000
FINANCIAL INCOME			
Interest from loans	6 (a)	2,143,341	1,922,577
Income from changes in fair value, revenue, interests and gain on sales of investment in securities	5	347,341	221,983
Interest from deposits in financial institutions	4	7,276	71,559
Exchange difference from various transactions	3	247,348	278,405
Dividends and share profit from subsidiaries and associates investments		370	-
Adjustment for indexation		1,191	21,711
Interest and commissions from inter-bank funds		663	2,864
Other		5,767	2,002
Total		2,753,297	2,521,101
FINANCIAL EXPENSES			
Interest on deposits	9 (c)	(379,584)	(544,352)
Interest on obligations with financial institutions and international financial organizations	11	(177,906)	(252,509)
Premium paid to the "Fondo de Seguro de Depósito" (Deposit Insurance Fund)		(25,757)	(22,831)
Interest on securities and obligations outstanding	12	(79,945)	(49,901)
Loss from derivative instruments, net		(25,988)	(13,739)
Adjustment for indexation		(691)	(15,628)
Other		(7,713)	(6,520)
Total		(697,584)	(905,480)
Gross financial margin		2,055,713	1,615,621
PROVISIONS FOR IMPAIRMENT OF LOAN LOSSES			
Loans	6 (c)	(514,833)	(392,946)
Recovery of provisions for loan losses	6(c) and 15 (a)	190,197	147,363
Total		(324,636)	(245,583)
Net Financial margin		1,731,077	1,370,038
INCOME FROM FINANCIAL SERVICES			
Commissions from contingent operations		104,996	82,458
Other income from various financial services	16	375,938	356,515
Total		480,934	438,973
Operating profit margin		2,212,011	1,809,011

(Continue)

BBVA BANCO CONTINENTAL S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	Notes	2009 S/.000	2008 S/.000
OTHER EXPENSE AND INCOME			
Employees and Board of Directors' expenses	17	(379,641)	(342,077)
Administrative expenses	18	(367,661)	(340,701)
Provisions for accounts receivable		(50,880)	(17,571)
Recovery for assets seized and recovered through legal actions		(2,970)	9,077
Provisions for contingent operations	15	(23,885)	(41,436)
Other provisions		(6,127)	(6,609)
Depreciation and amortization	7	(60,529)	(42,937)
Income from recovery of loan portfolio previously writen-off		11,097	11,840
Other income and expenses, net	6 (e) and 19	17,795	19,894
Total		(862,801)	(750,520)
Income before workers´ profit sharing and Income Tax		1,349,210	1,058,491
Workers' profit sharing and Income Tax	20 (c)	(421,441)	(333,991)
Net income		927,769	724,500
Weighted average number of outstanding shares (in thousands of shares)		1,471,243	1,471,243
Basic and diluted earning per share in Peruvian nuevos soles	22	0.63	0.49

The accompanying notes are an integral part of these financial statements.

BANCO CONTINENTAL S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	Capital Stock S/.000	Special Reserve S/.000	Legal Reserve S/.000
Balances as of January 1, 2008	852,896	256,405	284,153
Capitalization of reserves	256,405	(256,405)	-
Transfer of retained earnings to legal reserve and special reserve	-	59,324	59,325
Cash dividends	-	-	-
Deferred income tax liabilities for the adjustment to unrealized gains for available-for-sale investments	-	-	-
Unrealized losses for available-for-sale investments	-	-	-
Net income for the year	-	-	-
Balances as of December 31, 2008	1,109,301	59,324	343,478
Capitalization of reserves and retained earnings	361,942	(59,325)	-
Transfer of retained earnings to legal reserve	-	-	72,411
Cash dividends	-	-	-
Other	-	1,181	-
Unrealized gains for available-for-sale investments	-	-	-
Net income for the year	-	-	-
Balances as of December 31, 2009	1,471,243	1,180	415,889

The accompanying notes are an integral part of these financial statements.

BANCO CONTINENTAL S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
	S/.000	S/.000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	927,769	724,500
Adjustments to reconcile net income to cash provided by operating activities:		
Provisions for loan losses, net of recoveries	324,636	245,583
Depreciation and amortization	60,529	42,937
Provisions for seized assets, net of recoveries	2,970	(9,077)
Provisions for accounts receivable	50,880	17,571
Provisions for contingent operations, net of recoveries	23,885	41,436
Other provisions, net of recoveries	6,127	6,609
Deferred income tax and worker's profit sharing	(63,302)	(58,563)
Net gain from sale of securities	(7,694)	(5,394)
Net loss on sales of fixed assets and seized assets	(4,697)	(471)
Changes in assets and liabilities:		
Net increase (decrease) in other assets	281,808	(592,294)
Net (decrease) increase in other liabilities	(228,953)	687,101
Cash and cash equivalents provided by operating activities	1,373,958	1,099,938
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, furniture and equipment	(100,068)	(116,593)
Gain on sales of assets seized and recovered through legal actions	14,044	26,346
Cash and cash equivalents applied in investing activities	(86,024)	(90,247)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposits and other obligations and inter-bank funds	1,086,938	3,833,986
Net (decrease) increase in due to banks and correspondents	(4,859,743)	2,844,866
Net (decrease) increase in securities, bonds and outstanding obligations	(70,547)	1,065,308
Net increase (decrease) in loan portfolio	446,153	(4,586,368)
Net increase (decrease) in investments	422,276	(1,444,163)
Cash dividends	(362,055)	(474,596)
Other	1,180	-
Cash and cash equivalents (applied in) provided by financing activities	(3,335,798)	1,239,033
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,047,864)	2,248,724
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	6,964,076	4,715,352
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4,916,212	6,964,076

The accompanying notes are an integral part of these financial statements.

1. BANK´S IDENTIFICATION AND ITS BUSINESS ACTIVITIES

Background

Banco Continental S.A. (hereinafter, the Bank) is a subsidiary of Holding Continental S.A., which owns 92.08% of the capital stock of the Bank. The Bank is a public company incorporated in 1951, authorized to operate by the Superintendency of Banking, Insurance and Private Pension Fund Administrators of Peru (hereinafter, the SBS for its Spanish acronym) and domiciled in Peru. The Bank´s main office legal address is Av. República de Panamá No. 3055 San Isidro, Lima.

As of December 31, 2009 and 2008, the Bank owns the following percentages of the equity participation (direct or indirect) of the following entities:

		Percentage of participation	
Entity	Activity	Capital stock	Voting Rights
		%	%
Continental Bolsa - Sociedad Agente de Bolsa S.A.	Brokerage activities	100	100
Continental S.A. Sociedad Administradora de Fondos	Mutual fund management	100	100
Continental Sociedad Titulizadora S.A.	Asset securitization entity	100	100
Inmuebles y Recuperaciones Continental S.A.	Real estate and recoveries	100	100
Continental DPR Finance Company	Special purpose entity	-	-

Business activity

The Bank´s operations primarily include financial intermediation, which consists of universal banking activities regulated by SBS in accordance with the 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 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 performed its activities through a national network of 243 offices as of December 31, 2009 (233 as of December 31, 2008). The total number of employees of the Bank and its subsidiaries as of December 31, 2009 and 2008 was 4,376 and 4,365, respectively.

Consolidated Subsidiaries

The consolidated financial statements include the financial statements of the Bank and its subsidiaries (hereinafter, Grupo Continental).

The subsidiaries' principal balances as of December 31, 2009 and 2008 are presented below:

	In million of Peruvian nuevos soles					
	Assets		Liabilities		Equity	
Entity	2009	2008	2009	2008	2009	2008
Banco Continental S.A.	30,047	33,460	27,159	31,227	2,888	2,233
Continental Bolsa - Sociedad Agente de Bolsa S.A.	35	27	17	10	18	17
Continental S.A. - Sociedad Administradora de Fondos	29	28	4	6	25	22
Continental Sociedad Titulizadora S.A.	2	2	-	-	2	2
Inmuebles y Recuperaciones Continental S.A.	24	32	17	16	7	16
Continental DPR Finance Company	733	798	733	798	-	-

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 of preparation and presentation

Consolidated financial statements are prepared and presented in accordance with legal regulations and generally accepted accounting principles in Peru applicable to financial institutions, which comprise accounting standards and practices authorized by SBS by virtue of the authority conferred in accordance with the General Law. These regulations are contained within the Accounting Manual for financial institutions (hereinafter, the Accounting Manual) approved by resolution SBS N°895-98 dated September 1, 1998, in force as of January 1, 2001, and supplementary regulations.

The SBS has stated that in case situations unforeseen by these standards arise, generally accepted accounting principles in Peru (hereinafter, Peru GAAP) should be applied and, in cases unforeseen by Peru GAAP, GAAP in force in the United States of America (US GAAP) issued by the Financial Accounting Standards Board (FASB) should 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 CNC adopted the application in Peru of IAS 1 to 41, IFRS 1 to 6 and SIC 1 to 33 and by resolution No. 040-2008-EF/94.01, of March 2008, the CNC approved for application in Peru, beginning in 2008, IFRIC Interpretations 1 to 12, and beginning in 2009, IFRS 7, IFRS 8, IAS 32 revised 2006, and IFRIC Interpretations 13 and 14. In that resolution, the CNC also agreed to supersede IAS 14, IAS 30 and the previous version of IAS 32.

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, 2009 and 2008.

New Accounting Pronouncements

Certain new accounting amendments, standards and interpretations are in force at an international level for periods beginning from and after the January 1, 2009, with the possibility to be applied before that date under certain conditions.

These new rules, amendments and interpretations have not yet been formalized by the CNC, and are summarized as follows (the list includes only those related to Grupo Continental´s financial statements):

Standard	Subject	Version	International Effective Date
IFRS 1	First time Adoption of International Financial Reporting Standards	Revised May 2008, November 2008, July 2009.	Annual period beginning on or after January 1, 2009; July 1, 2009; January 1, 2010, respectively
IFRS 2	Share-based Payment	Revised 2008, April 2009, June 2009.	Annual period beginning on or after January 1, 2009; July 1, 2009; January 1, 2010, respectively
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	Revised May 2008, April 2009.	Annual period beginning on or after July 1, 2009; January 1, 2010, respectively
IFRS 7	Financial Instruments: Disclosures	Revised March 2009	Annual period beginning on or after January 1, 2010
IFRS 8	Operating Segments	Revised April 2009	Annual period beginning on or after January 1, 2010
IFRS 9	Financial Instruments: classification and measurement	Revised November 2009	Annual period beginning on or after January 1, 2013
IAS 1	Presentation of Financial Statements	Revised 2007, 2008, May 2008, April 2009	Annual period beginning on or after January 1, 2009; January 1, 2010 respectively
IAS 7	Cash Flow Statements	Revised April 2009	Annual period beginning on or after January 1, 2009

Standard	Subject	Version	International Effective Date
IAS 16	Property, Plant and Equipment	Revised May 2008	Annual period beginning on or after January 1, 2009
IAS 17	Leases	Revised April 2009	Annual period beginning on or after January 1, 2009
IAS 19	Employee Benefits	Revised May 2008	Annual period beginning on or after January 1, 2010
IAS 23	Borrowing Costs	Revised May 2008	Annual period beginning on or after January 1, 2009
IAS 24	Related Party Disclosures	Revised November 2009	Annual period beginning on or after January 1, 2011
IAS 27	Consolidated Financial Statements	Revised May 2008	Annual period beginning on or after July 1, 2009.
IAS 28	Investments in Associates	Revised 2008, May 2008	Annual period beginning on or after July 1, 2009; January 1, 2009, respectively
IAS 32	Financial Instruments: Presentation	Revised 2008, 2009	Annual period beginning on or after January 1, 2009; February 1, 2010, respectively
IAS 36	Impairment of Assets	Revised May 2008, April 2009	Annual period beginning on or after January 1, 2009; February 1, 2010, respectively
IAS 38	Intangible Assets	Revised May 2008, April 2009	Annual period beginning on or after January 1, 2009; July 1, 2009, respectively
IAS 39	Financial Instruments: Recognition and Measurement	Revised May 2008, July 2008, March 2009, April 2009	Annual period beginning on or after January 1, 2009; July 1, 2009; June 30, 2009, January 1, 2010, respectively
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction		Annual period beginning on or after January 1, 2008. Modification of November 2009 must be applied starting January 1, 2011
IFRIC 15	Agreements for the Construction of Real Estate		Annual period beginning on or after January 1, 2009
IFRIC 17	Distributions of Non-cash Assets		Annual period beginning on or after July 1, 2009
IFRIC 18	Transfers of Assets from Customers		Annual period beginning on or after July 1, 2009
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments		Annual period beginning on or after July 1, 2010

(b) Consolidation

Grupo Continental is composed of controlled entities and a special purpose entity.

(b-1) Controlled entities

Controlled entities are all entities (including any special purpose entity) over which the Bank has the power to control the financial and operating policies. This power is generally evidenced by ownership of more than one half of the voting rights. 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 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.

(b-2) Special purpose entity

Continental DPR Finance Company (hereinafter, DPR) is an entity created with the objective described in Note 15 (f) (securitization of diversified payment rights). Although the Bank does not participate in the capital of or possess voting rights with respect to DPR, due to its relationship with the Bank, accounting principles require consolidation of DPR.

(c) Functional and presentation currency

Grupo Continental prepares and presents its consolidated financial statements in Peruvian Nuevos Soles, which is its functional currency. The functional currency is the main currency of the 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 to determine the balances of assets and liabilities, income and expenses, and contingent assets and liabilities during or as of the time of the consolidated financial statements. If any subsequent changes occur to the estimates or assumptions due to variations in the circumstances they were based on, 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 significant estimates related to the consolidated financial statements correspond to the determination of the fair value through profit and losses, available-for-sale, held to maturity and subsidiary and associated investments, provision for loan losses, other assets and contingent loans portfolio, provisions for other accounts receivable included in other assets, provision for seized assets, useful lives assigned to property, furniture and equipment and intangibles assets, contingent liabilities, deferred employees' profit sharing and income tax, and derivative financial instruments.

(e) Provision for loan losses

Provision for loan losses is determined in accordance with the criteria and percentages established by the resolution SBS Nº 808-2003 "Regulation for the evaluation and classification of debtors and required provision for loan losses".

The SBS has established criteria to classify by type and category direct and indirect loans. The types of loans are divided into commercial loans, micro and small business (MES) loans, and consumer and mortgage loans. The debtors are classified as normal, potential problems, substandard, doubtful and loss.

The provision for loan losses includes general (generic) and specific allowances. The specific allowance estimate for commercial loans is calculated based on percentages set by the SBS, which vary depending on the classification of the debtor and the type of collateral received. For MES loans, and consumer and mortgage loans, the estimate of the specific allowance is calculated based on percentages set by SBS accordance to the classification of the debtor and the delay in loan payments.

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

General mandatory allowances are calculated based on percentage rates, with a fixed component and a variable component (procyclical), which vary depending on the type of credit. The SBS activates or disables the variable procyclical component depending on period measurements of annualized percentage changes (moving averages) of the real gross domestic product of Peru (GDP) released by the Central Bank of Reserve of Peru (hereinafter, BCRP by its Spanish acronym).

General voluntary allowances have been determined by Grupo Continental based on the economic situation of clients 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 general voluntary provision is reported to SBS.

According to regulations in force, Grupo Continental´s management assesses its commercial loan portfolio in accordance with the creditor's cash flow, total indebtedness, and their level of compliance in the payment of debts. MES loans and consumer and mortgage loans are 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 resolution No. 041-2005 SBS, Grupo Continental assesses placements subject to foreign exchange credit risk.

The minimum percentages required for loan provisions, are as follows:

Normal Category

Loans	Fixed Component	Variable Component (Procyclical)
Commercial loans	0.70%	0.45%
Commercial loans with customer deposit guarantees	0.70%	0.30%
Micro and small business loans (MES)	1.00%	0.50%
Non-revolving consumer loans	1.00%	1.00%
Non-revolving consumer loans under eligible agreements	1.00%	0.30%
Revolving consumer loans	1.00%	1.50%
Mortgage loans	0.70%	0.40%
Mortgage loans with customer deposit guarantees	0.70%	0.30%

As of December 31, 2009 the variable procyclical component was disabled (Multiple Office No. 40755-2009-SBS effective date from September 1, 2009). As of December 31, 2008 this component was activated (Resolution SBS No. 11356-2008).

Other categories of percentages required for loan provisions and by type of guarantee are as follows:

Risk Category	No Guarantee	Preferred Guarantee	Preferred Guarantee with Fast realization
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%

As from July 1, 2010 new regulations for the assessment and classification of the debtor and the requirement of provisions (Resolution SBS No. 11356-2008) are in force. The main changes are the establishment of credit conversion factors of indirect loans, extension of the types of loans and changes of procyclical provisions rates according to new types of loans.

(f) Leasing transactions

Leasing transactions are recorded as loans in accordance with SBS rule and IAS 17. 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 good 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 resolution SBS No 1737-2006 and its amendments, derivative financial instruments are initially recognized at trade date and subsequently re-measured at fair value at a monthly basis. Profit or loss from change in fair value is recorded in the related consolidated statements of income. The nominal value is recorded in the corresponding committed or agreed currency in the off-balance sheet accounts (Note 15(b)).

As of December 31, 2009 and 2008, the bank did not hold derivatives designated as accounting hedges.

(h) Investments at fair value through profit and loss, available for sale investments and held to maturity investments

The investments securities of Grupo Continental are classified and valued, since March 2009, in accordance with resolution SBS N° 10639-2008 through the new "Regulation for the Classification and Valuation of Investments Enterprise Financial System". The reclassifications incorporating these changes are detailed in Note 2 (y), but do not affect the consolidated financial statements significantly.

Among others, the changes introduced by Resolution SBS No. 10639-2008 include:

- The unrealized gain caused by the fluctuation in fair value of an investment instrument classified as available-for-sale are recognized directly in equity, which previously was only allowed for the recognition of unrealized losses on the basis of the total portfolio.

- 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 arised from the comparison with their fair value.

- Exchange difference from available-for-sale equity instruments are recognized in equity accounts when they do not represent hedging transactions.

- Removes the definition of permanent investments, which must be reclassified to the investment category.

- Creates the category of investment in subsidiaries and associated.

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 consolidated 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 associated.

The valuation of these investments is carried at fair value. The gain or loss caused by the fluctuation in the fair value of investment classified in this category is recognized directly in equity until the instrument is disposed or performed, at which time the gain or loss that had been previously recognized in equity is transferred and recorded in the net income (loss) for the year except for impairment losses that are recorded in the statements 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 intent to hold to their maturity date, (ii) Grupo Continental must have the financial capacity to maintain the instrument investment until maturity, and (iii) shall be classified by at least two local or foreign risk credit ratings 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.

(i) Investments in subsidiaries and associated

This category includes an entity's equity securities acquired by Grupo Continental in order to participate in these entities. These investments are initially recorded at acquisition cost and subsequently are valued using the equity method.

(j) Property, furniture and equipment

Property, furniture and equipment are recorded at acquisition cost including expenditures directly attributable to the acquired property and are presented net of depreciation and impairment. The annual depreciation is recognized as expense and is determined based on the cost, following the straight-line method over the estimated useful life of the asset, 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 repairs or maintenance are recognized as an expense when incurred. When an asset is sold, or withdrawn from use, its cost and accumulated depreciation are eliminated and any resulting gain or loss is recognized as income or expense.

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.

Gain or loss on the sale of these assets is charged to the consolidated statements of income in the year it occurs and corresponds to the difference between the revenue proceeds from any such transaction and the book value of such assets.

(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 on the seizure or recovery date for all assets received.

- For assets other than buildings, the remaining balance is provisioned within a term no longer than 18 months.

- Additionally, a monthly provision for impairment is recorded for buildings 18 months after its seizure or recovery, based on a maximum term of 42 months and the net value in the 18^{th} month. The net book value of the buildings is compared to the net realizable value on an annual basis, which is determined by an independent expert, and if this value is lower, an additional provision shall be recorded.

(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 of between one and three years.

Costs related to development or maintenance of software are recognized as an expense when 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 economic events or changes indicate that the value of a long-lived asset may not be recoverable, management reviews the book value of these assets and if it determines that the book value exceeds its recoverable value, an impairment loss is recognized in the consolidated statements of income. The recoverable amounts are estimated for each asset.

(n) Due to banks and correspondents – Outstanding securities, bonds and obligations

Liabilities for due to banks and correspondents and for the issuance of securities (corporate, subordinate and leasing bonds) are determined by applying the amortized cost method and the accrued interest is recognized in the consolidated statements of income at the effective rate.

Discounts granted at issuances are deferred and amortized over the life of the bonds.

(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 time value of money is material, the amount of the provision is the present value of 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 and 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.

(q) Employee benefits

Workers´ profit Sharing

Grupo Continental recognizes a liability and an expense for workers' profit sharing in an amount of 5% of taxable income determined in accordance with current tax regulations.

According to legal regulations, subsidiaries are not required to determine workers' profit sharing when the number of their employees is less than twenty.

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 as of the date of the consolidated balance sheet.

Employees' severance indemnities

The provision for employees' severance indemnities is recorded for the full rights of compensation in accordance with current legal regulations. Payments are deposited mainly at the Bank, in a financial institution elected by the employees.

(r) Income and expenses recognition

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

Interest on past due loans, refinanced loans, restructured loans, and loans under legal collection, as well as credits in categories of doubtful and loss, are recognized in the consolidated statements of income when collected. When it has been determined that the financial condition of the debtor has improved to the extent that the doubt about the collectibility of the principal has disappeared the accounting for the interest on an accrual basis is restored.

Other income and expense are recognized in the period in which they fall due.

(s) Foreign currency gain (loss)

Transactions denominated in foreign currency are translated on the transaction date into the functional currency of the exchange rate set by the SBS.

The exchange gains and losses arising from the payment of monetary items denominated in foreign currency or from the adjustment of such monetary assets or liabilities, due to changes in the exchange rate after the initial recording of the transactions, are recognized as financial income or financial expense, respectively, in the period in which they arise.

(t) Deferred income tax and workers' profit sharing

A liability for deferred income tax and workers' profit sharing 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 tax and workers' profit sharing 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 the law. Assets and liabilities are measured at the income tax rate and percentage of workers' profit sharing 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 and workers' profit sharing are recognized as expense or income for the year or recorded in equity when the related transaction affects an equity account.

(u) Dividend distribution

Dividend distribution is recognized as a liability in the consolidated financial statements in the year in which the dividends are approved by the Bank's shareholders.

(v) Basic and diluted earnings per share

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

(w) Fiduciary activity

Assets derived from fiduciary activities where there is a commitment to return those assets to the clients 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) 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.

In the consolidated balance sheet, overdrafts are presented as liabilities (demand deposits).

(y) Reclassifications

The reclassifications in the comparative financial statements of 2008 are as follows:

- By Resolution SBS N° 10639-2008, "Regulations for the Classification and Valuation Investments Financial System Companies", applicable from March 2009, were:

  - Reclassification of investments in 2008 from "Other Permanent Investments" to Available-for-Sale Investments in Representative Equity Instruments for S/.2.7 million and revenue associated with such investments were reclassified from Shares profit from long-term investments to Income from changes in fair value, revenue, interests and gain in sales of investments in securities, for S/.4.9 million.

  - Income for valuation of trading securities and held to maturity investments are shown net of expenses of S/.12.8 million.

  - Income for sale and purchase of securities are presented net of expenses of S/.30.4 million and are included in the line "Income from changes in fair value, revenue, interests and gain on sales of investment in securities".

- Reclassification of S/.22.7 million from deposits received from financial institutions to obligations to the public.

- The Off-balance sheet accounts of securities investments mutual funds managed by Continental S.A. Sociedad Administradora de Fondos, and the off-balance sheet accounts of securitized assets managed by Continental Sociedad Titulizadora, have been reclassified to Trusts and administrations for S/.1,891.3 million.

(z) Pronouncements of SBS

During 2009, the SBS issued, among others, the following rules:

Resolution (R) / Circular (C) SBS N°	Standard	Effective date
R. 2115	Regulation for the Regulatory Capital requirement for Operational Risk	July 1, 2009
R. 2116	Regulation for Operational Risk management	Period of adjustment March 31, 2010
R. 4595	Regulation for Computation of Representatives Equity Instruments in Regulatory Capital of Financial institutions	July 1, 2009
R. 4727	Subordinated Debt Rules applicable to the Financial institutions	July 1, 2009
R. 4729	Amendments to the Accounting Manual for Financial Institutions	July 1, 2009
R. 6328	Regulation for the Regulatory Capital Requirement for Market Risk	July 1, 2009
R. 14354	Regulation for the Regulatory Capital Requirement for Credit Risk.	July 1, 2010
C. 139	Managing Business Continuity	Period of adjustment March 31, 2010

Resolution (R) / Circular (C) SBS N°	Standard	Effective date
C. 140	Security Management Information	Period of adjustment March 31, 2010

3. FOREIGN CURRENCY TRANSACTIONS AND EXPOSURE TO FOREIGN EXCHANGE RISK

As of December 31, 2009 and 2008, the balances of financial assets and liabilities denominated in foreign currency were 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:

	2009 US$000	2008 US$000
Assets:		
Cash and due from banks and inter-bank funds	1,384,895	1,976,874
Investments in securities, net	173,321	118,146
Loans, net	3,389,682	3,616,099
Other assets	40,771	62,509
	4,988,669	5,773,628
Liabilities:		
Obligations to the public and deposits of financial institutions	3,748,692	3,799,300
Due to banks and correspondents	916,744	1,274,573
Outstanding securities, bonds and obligations	385,621	400,169
Other liabilities	101,408	118,197
	5,152,465	5,592,239
Balance sheet position	(163,796)	181,389
Forward contracts and other derivatives, net of sales position	109,133	(31,298)
Net global position	(54,663)	150,091

Most of the assets and liabilities of Grupo Continental in foreign currency are denominated in U.S. dollars. As of December 31, 2009, the exchange rate established by SBS used to express these amounts in Nuevos soles was S/.2.89 per US$1.00 (S/.3.14 as of December 31, 2008).

Domestic operations in foreign currency and international trade operations are channeled through the free banking market. As of December 31, 2009, 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/.2.888 and S/.2.891 per US$1.00, respectively (S/.3.137 and S/.3.142 per US$1.00, respectively, as of December 31, 2008).

As of December 31, 2009, Grupo Continental recorded gains on foreign exchange amounting to S/.953.4 million (S/.734.6 million as of December 31, 2008) and losses amounting to S/.706 million (S/.456.2 million as of December 31, 2008), which are presented net in the "result of foreign exchange" item in the financial income or financial expenses of the statements of income.

The devaluation / 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, and the inflation (deflation) percentage, in accordance with the Domestic Wholesale Price Index (IPM for its Spanish acronym), in the last five years, were as follows:

Year	Devaluation / (Revaluation) %	IPM %
2009	(7.99)	(5.05)
2008	4.84	8.79
2007	(6.35)	5.24
2006	(6.82)	1.33
2005	4.51	3.60

4. CASH AND DUE FROM BANKS

The balances were as follows:

	2009 S/.000	2008 S/.000
Cash	881,371	854,480
Peruvian Central Bank - BCRP	3,592,774	5,408,142
Local Banks and other local financial entities	58,535	41,413
Foreign Banks and other foreign financial entities	273,964	534,685
Clearing	51,786	89,583
Other deposits	8,434	7,140
Accrued interest	345	1,128
Total	4,867,209	6,936,571

As of December 31, 2009, cash and due from banks included approximately US$1,265.1 million and S/.616.5 million (US$1,436.4 million and S/.573.4 million as of December 31, 2008) which represent the legal reserve that Peruvian entities must maintain as a guarantee of third party deposits. These funds are deposited in the Bank's vaults and in the Peruvian Central Bank (BCRP for its Spanish acronym).

Obligations subject to legal reserve in local and foreign currencies according to the regulations in force at December 31, 2009 have a legal minimum reserve of 6% (9% as of December 31, 2008). Foreign currency deposits are subject to a legal reserve which has been calculated based on information of November 2008. Additionally, excess deposits are subject to an additional reserve rate of 30% since January 2009 (49% and 35% in 2008).

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, 2009, interest income on reserves amounted to S/.5.6 million (S/.58.1 million as of December 31, 2008), and were included in the interest for cash and due from banks item in the statements of income. These funds are garnishable.

Cash and due from banks as of December 31, 2009 included funds subject to restriction for S/.5.8 million (S/.6.9 million as of December 31, 2008) 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 included S/.228 million relating to an overnight operation deposited in the BCRP with a maturity date of January 4, 2010 (US$ 350 million as of December 31, 2008 with a maturity date of January 5, 2009).

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

The balances were as follows:

	2009 S/.000	2008 S/.000
Bonds		
Peruvian Treasury	1,364,571	736,819
Peruvian Global Treasury	471,053	189,618
Euro Notes	-	15,762
Asset Backed Securities	10,032	14,693
Corporate	8,789	8,097
Repurchase agreements (Repos)	-	2,907,755
BCRP certificates of deposits	2,022,131	338,903
Participation in mutual funds	23,910	18,269
Other investments	23,022	20,423
Total	3,923,508	4,250,339

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, 2009, annual interest rates on domestic currency ranged between 1.20% and 1.29% (between 6.64% and 7.09% as of December 31, 2008).

Bonds have been mainly acquired at market rates and prices as of the purchase date. As of December 31, 2009, Peruvian Treasury bonds in domestic currency accrued annual interest at rates between 1.02% and 6.26% (between 3.50% and 7.64% as of December 31, 2008) and in foreign currency at rates between 4.35% and 5.24% (between 2.25% and 7.86% as of December 31, 2008), with maturities through August 2037.

As of December 31, 2009 and 2008, mutual fund investments corresponded to participation quotas held by Grupo Continental with various mutual funds managed by Continental Fondos S.A. Sociedad Administradora de Fondos.

As of December 31, 2009, other investments included Lima Stock Exchange listed securities of S/.13.8 million (S/.6 million as of December 31, 2008) 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, 2008, the Bank entered into repurchase agreements (or repos) with BCRP using securities for S/.2,854.9 million and US$16.8 million. These operations accrued annual interest at rates between 6.48% and 7.09% in domestic currency and between 0.89% and 1.41% in foreign currency. Securities sold subject to repos agreement, are considered as a guarantee and are accounted as a restricted investment and as a liability, which corresponds to the amount paid for the funds obtained (Note 11).

As of December 31, 2009 and 2008, the investment portfolio had the following terms to maturity:

	2009		2008	
	S/.000	%	S/.000	%
Up to 1 month	670,011	17	793,175	19
More than 1 month and less than 3 months	510,696	13	477,625	11
More than 3 months and less than 6 months	879,952	22	1,122,795	26
More than 6 months and less than 1 year	125,318	3	587,992	14
More than 1 year and less than 5 years	585,996	15	573,785	13
More than 5 years	1,151,535	30	694,967	17
Total	3,923,508	100	4,250,339	100

As of December 31, 2009 and 2008, investments in securities were classified by Grupo Continental as follows:

	2009	2008
	S/.000	S/.000
Investments at fair value through profit and loss	147,839	17,944
Available-for-sale investments (Note 13 (c))	3,358,039	4,232,395
Held to maturity investments	417,630	-
Total	3,923,508	4,250,339

Held to maturity investments of S/.417.6 million were reclassified from available-for-sale investments in accordance with Resolution SBS No. 10639 - 2008.

6. LOANS, NET

a) The balances were as follows:

	2009 S/.000	%	2008 S/.000	%
Direct credits				
Loans	8,140,799	41	8,064,944	39
Mortgage loans	3,819,087	19	3,656,610	18
Leasing transactions	3,524,291	18	3,576,702	17
Consumer loans	1,956,460	10	1,914,662	9
Loans for foreign trade	1,284,922	6	2,119,450	10
Discounted notes	712,859	4	941,041	5
Overdrafts and advance accounts	257,319	1	171,804	1
Loans to financial and insurance institutions	235,756	1	200,161	1
Credit cards	90,058	1	119,981	1
Loans to foreign financial institutions	89,500	1	64,500	-
Factoring transactions	30,244	-	10,151	-
Credits to be settled	8,645	-	18,539	-
Other	349,679	2	312,947	2
Refinanced and restructured loans	282,683	1	156,786	1
Past due accounts and in legal collection	217,387	1	252,255	1
	20,999,689	106	21,580,533	105
Plus:				
Accrued interest	144,731	1	212,872	1
Less:	21,144,420	107	21,793,405	106
Unearned interest on discounted notes and leasing transactions	(449,299)	(2)	(433,951)	(2)
	20,695,121	105	21,359,454	104
Deferred income from loans	(25,328)	(1)	(23,638)	-
Provision for loan losses	(872,137)	(4)	(767,371)	(4)
	19,797,656	100	20,568,445	100
Indirect loans (Note 15)	5,455,395		5,256,601	

Loans are collateralized with guarantees granted by customers, principally comprising mortgages, deposits, stand-by letters, warrants and finance leasing operations amounting to S/.12,314 million and S/.11,871 million, as of December 31, 2009 and 2008, respectively.

As of December 31, 2009, a debt with Fondo Mi Vivienda - Mi Hogar was secured by a loan portfolio up to S/.116.4 million (S/.228.1 million as of December 31, 2008). (Note 11).

As of December 31, the annual effective weighted average rates for the main products were as follows:

	2009		2008	
	S/.	US$	S/.	US$
	%	%	%	%
Overdrafts	47.68	34.91	47.79	33.79
Discounted notes and commercial loans	7.61	7.99	10.26	11.06
Consumer loans	23.85	17.46	24.60	16.64

b) The credit risk classification of Grupo Continental's loan portfolio, according to SBS standards is as follows:

	2009						2008					
	Direct loans		Indirect loans		Total		Direct loans		Indirect loans		Total	
	S/.000	%	S/.000	%	S/.000	%	S/.000	%	S/.000	%	S/.000	%
Normal	19,041,912	93	5,401,577	99	24,443,489	94	19,657,163	93	5,200,348	99	24,857,511	94
With potential problems	785,999	4	32,740	1	818,739	3	942,503	4	40,702	1	983,205	4
Substandard	286,734	1	10,300	-	297,034	1	188,212	1	5,410	-	193,622	1
Doubtful	269,250	1	2,617	-	271,867	1	177,755	1	3,983	-	181,738	1
Loss	141,167	1	8,161	-	149,328	1	157,311	1	6,158	-	163,469	-
Total	20,525,062	100	5,455,395	100	25,980,457	100	21,122,944	100	5,256,601	100	26,379,545	100
Unearned interest on discounted notes and leasing transactions	449,299		-		449,299		433,951		-		433,951	
Capitalized interest on refinanced and restructured loans	25,328		-		25,328		23,638		-		23,638	
Total	20,999,689		5,455,395		26,455,084		21,580,533		5,256,601		26,837,134	

As of December 31, 2009 and 2008 Grupo Continental has identified its clients' exposure to exchange rate risk and determined it unnecessary to record any additional provision.

During 2009, Grupo Continental wrote off non-accrual interest of S/.8 million (S/.8 million as of December 31, 2008) relating to past due loans or in legal collection.

As of December 31, 2009 and 2008, the loan portfolio was distributed in the following economic sectors:

	2009		2008	
	S/.000	%	S/.000	%
Mortgage and consumer loans	5,907,888	28	5,688,993	26
Manufacturing	4,011,779	19	4,646,483	22
Commerce	3,323,714	16	3,580,507	17
Transport, storage and communications	1,666,020	8	1,784,666	8
Real estate	1,300,817	6	1,293,864	6
Utilities	740,298	3	722,082	3
Mining	643,093	3	704,759	3
Financial and insurance institutions	620,654	3	352,994	2
Agriculture and livestock	557,667	3	600,586	3
Construction	502,596	2	574,141	3
Hotels and restaurants	456,199	2	295,810	1
Education	337,750	2	294,752	1
Other activities for community services	262,604	1	272,046	1
Fishing	213,666	1	261,092	1
Public administration and defense	213,446	1	267,010	1
Social and health services	124,053	1	124,809	1
Other	117,445	1	115,939	1
Total	20,999,689	100	21,580,533	100

c) The change in the allowance for loan losses is shown below:

	2009	2008
	S/.000	S/.000
Balances as of January 1	767,371	567,659
Provision	514,833	392,946
Recoveries and reversals	(171,545)	(130,100)
Write-offs	(31,637)	(8,619)
Sale of portfolio	(185,674)	(66,827)
Foreign exchange differences and other adjustments	(21,211)	12,312
Balances as of December 31	872,137	767,371

Management considers that the level of allowance for loan losses is adequate to cover potential losses in the portfolio as of the balance sheet date. As of December 31, 2009 the generic provision of loan portfolio of S/.532.4 million (S/.467.5 million as of December 31, 2008) included procyclical provisions of S/.96.5 million.

During 2009 Grupo Continental entered into agreements for the sale of rights over loans in legal collection (principal amounts) of approximately S/.286 million (S/. 237

million as of December 31, 2008). Proceeds from these sales of S/.5.3 million (S/.4 million as of December 31, 2008) were recognized as other income, net in the consolidated statements of income.

d) As of December 31, 2009 and 2008, the loan portfolio had the following maturities schedule:

	2009 S/.000	%	2008 S/.000	%
Up to 1 month	2,923,495	14	2,857,194	13
More than 1 month and less than 3 months	3,157,951	15	3,489,062	17
More than 3 months and less than 6 months	1,770,129	8	2,140,823	10
More than 6 months and less than 1 year	2,493,299	12	3,137,864	14
More than 1 year and less than 5 years	7,229,950	35	6,547,192	30
More than 5 years	3,207,478	15	3,156,143	15
Past due and in legal collection loans	217,387	1	252,255	1
Total	20,999,689	100	21,580,533	100

7. PROPERTY, FURNITURE AND EQUIPMENT, NET

The change in cost and accumulated depreciation of property, furniture and equipment in 2009 and 2008 were as follows:

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

2008	Beginning Balances S/.000	Additions S/.000	Disposals S/.000	Adjustments or other S/.000	Ending Balances S/.000
Cost:					
Land	53,861	2,413	(38)	(76)	56,160
Buildings and installations	401,752	26,751	(16,398)	1,270	413,375
Furniture and equipment	116,685	26,311	(21,717)	(4,712)	116,567
Vehicles	3,390	1,059	(1,282)	2	3,169
Installations and improvements in leased property	33,079	14,078	(5,587)	(51)	41,519
Work in progress	-	23,845	-	(1,155)	22,690
Units to receive	5,643	22,136	-	(6,240)	21,539
Total	614,410	116,593	(45,022)	(10,962)	675,019
Accumulated depreciation:					
Buildings and installations	255,816	17,387	(16,387)	(1)	256,815
Furniture and equipment	53,635	21,467	(21,658)	(7)	53,437
Vehicles	1,822	615	(1,282)	-	1,155
Installations and improvements in leased property	12,477	3,468	(5,586)	(28)	10,331
Total	323,750	42,937	(44,913)	(36)	321,738
Net	290,660				353,281

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

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, 2009 and 2008, were higher than their book values, 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.

As of December 31, 2009 Grupo Continental had in use fully depreciated assets for S/.61.3 million.

8. OTHER ASSETS AND LIABILITIES

The balances were as follows:

	2009 S/.000	2008 S/.000
Other assets:		
Yield receivable from derivatives (Note 15 (b))	338,142	698,233
Sales tax credit pending recovery (a)	279,660	331,182
Deferred income tax and workers' profit sharing asset (b) (Note 21)	243,988	181,393
Prepaid expenses and deffered charges	70,559	52,173
Transactions in process (c)	50,354	27,312
Assets seized and recovered through legal actions, net	19,434	13,531
Other accounts receivable (d)	25,542	1,412
Other assets	1,313	1,313
Total	1,028,992	1,306,549
Other liabilities:		
Other provisions (e)	419,755	317,156
Yields payable from derivatives (Note 15 (b))	242,432	641,201
Suppliers (f)	217,468	159,115
Other accounts payable	67,781	42,521
Provisions for contingent credits (Note 15 (a))	70,680	69,418
Transactions in process (c)	25,064	23,533
Deferred income	18,187	15,083
Dividends and workers´ profit sharing	52,901	44,835
Other	5,059	5,406
Total	1,119,327	1,318,268

(a) Corresponded to the tax credit on the acquisition of assets for leasing.

(b) Deferred income tax and workers´ profit sharing is derived mainly from general provisions for loans.

(c) Transactions in process primarily refers 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) Other accounts receivable are net of accumulated provision of S/.106.8 million and S/.84.6 million at December 31, 2009 and 2008, respectively.

(e) Other provisions mainly includes, among other things, provisions for taxes, lawsuits (Note 15(c)), bonuses for staff and health insurance.

(f) Includes provisions for services of Grupo Continental's ordinary activities.

9. OBLIGATIONS TO THE PUBLIC AND DEPOSITS OF FINANCIAL INSTITUTIONS

(a) Deposits and other obligations in U.S. dollars represented 50% and 57% of the total amount as of December 31, 2009 and 2008, respectively. Deposits included accounts that have been pledged in favor of Grupo Continental to secure credit operations of S/.287.2 million and US$68.3 million as of December 31, 2009 (S/.211.5 million, US$97.5 million as of December 31, 2008).

(b) As of December 31, deposits and other obligations had the following maturities:

	2009 S/.000	%	2008 S/.000	%
Up to 1 month	6,215,936	29	7,273,258	35
More than 1 month and less than 3 months	4,678,388	22	4,102,498	20
More than 3 months and less than 6 months	2,029,562	9	1,774,869	8
More than 6 months and less than 1 year	1,687,220	8	2,017,807	10
More than 1 year and less than 5 years	5,724,564	27	4,482,707	21
More than 5 years	1,178,020	5	1,264,732	6
Total	21,513,690	100	20,915,871	100

(c) Interest rates on deposits and other obligations accounts are established by Grupo Continental based on effective market interest rates. During 2009 and 2008 prevailing effective annual interest rates were as follows:

	2009 Accounts in		2008 Accounts in	
	S/. %	US$ %	S/. %	US$ %
Checking accounts	0.00 - 1.55	0.00 - 0.65	0.00-1.75	0.00-0.75
Saving deposits	0.25 - 2.00	0.25 - 1.25	0.25-3.50	0.13-1.25
Time deposits and CBME	0.50 - 1.35	0.20 - 1.50	0.50-3.50	0.25-3.00
Superdeposits	1.00 - 1.35	0.45 - 1.00	2.00-2.75	1.00-1.50
Severance deposits	2.75 - 4.00	0.50 - 3.50	2.75-4.00	0.50-3.50

10. INTER-BANK FUNDS

The balances were as follows:

	2009	2008
	S/.000	S/.000
Banco de Crédito del Perú	202,300	43,000
Banco de la Nación	144,500	-
Citibank N.A.	72,250	-
Scotiabank	54,291	62,000
Mi Banco	43,350	-
Banco Interamericano de Finanzas	34,680	-
Banco Falabella	28,900	-
Banco Santander Perú	28,900	-
Banco Financiero del Perú	17,340	10,000
Banco de Comercio	8,670	-
Crediscotia Financiera (Formerly Banco del Trabajo)	-	23,000
Banco Internacional del Perú	-	6,000
Banco Ripley	-	1,884
	635,181	145,884
Accrued Interests	20	198
Total	635,201	146,082

Inter-bank funds as of December 31, 2009, had current maturities (January 2010), accrued interest at an average effective annual interest rate of 1.25% in domestic currency and 0.34% in foreign currency (6.53% in domestic currency in 2008) and were unsecured.

11. DUE TO BANKS AND CORRESPONDENTS

The balances were as follows:

	2009	2008
	S/.000	S/.000
International Financial Organizations (a)	1,465,643	2,135,947
Foreign Financial Institutions (b)	498,662	1,624,209
Programa Mi Vivienda - Mi Hogar (My Housing - My Home program) (c)	116,404	228,080
Corporación Financiera de Desarrollo - COFIDE	32,507	96,924
Peruvian Central Bank (d)	-	2,842,450
Accrued interest payable	13,778	59,127
Total	2,126,994	6,986,737

Loans agreements signed with COFIDE and 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, 2009 and 2008.

(a) International financial organizations

Debts to international financial organizations accrued interest at international market rates between 1.4% and 6.4% as of December 2009 (3.4% and 6.3% as of December 2008) and are unsecured.

Name of creditor	2009		2008		Due Dates
	US$000	S/.000	US$000	S/.000	
Internacional Finance Corporation - IFC	195,000	563,550	276,667	868,734	December 2012/ December 2018
Corporación Andina de Fomento - CAF	50,000	144,500	130,000	408,200	November 2010
Corporación Interamericana de Inversiones - CII	17,143	49,543	28,571	89,713	May 2011
Banco Interamericano de Desarrollo - BID (i)	245,000	708,050	245,000	769,300	February 2012/ February 2014/
Total	507,143	1,465,643	680,238	2,135,947	

(i) Corresponds to subordinated debt, approved by the SBS and it is considered as part of the Regulatory Capital.

(b) Foreign Financial institutions

As of December 31, 2009, the loan balance with foreign financial institutions accrued interest based on market rates between 1.8% and 3.1% (3.86% and 6.76% as of December 31, 2008). The outstanding amount as of December 31, 2009 and 2008 were as follows:

Name of creditor	Balances as of December 31, 2009		Balances as of December 31, 2008		Due dates
	US$000	S/.000	US$000	S/.000	
Sumitomo Bank	100,000	289,000	100,000	314,000	September 2010
DEG Deutsche Investi (i)	70,000	202,300	70,000	219,800	October 2017 / June
BBVA New York	-	-	110,000	345,400	April 2009
Standard Chartered Bank	-	-	50,000	157,000	February and March
Bank of America	-	-	35,000	109,900	January 2009
Dresdner Bank AG	-	-	25,000	78,500	February 2009
JP Morgan Chase Bank	-	-	20,000	62,800	January 2009
Toronto Dominion Bank	-	-	30,000	94,200	June and August 2009
Other	2,547	7,362	77,264	242,609	January 2010
Total	172,547	498,662	517,264	1,624,209	

(i) Corresponds to subordinated debt, approved by the SBS and it is considered as part of the Regulatory Capital.

In August 2008, the Bank entered into a syndicated loan for US$100 million with the participation of the following foreign financial entities: Standard Chartered Bank, Wachovia Bank NA, Sumitomo Mitsui Banking Corporation, Unicredit SPA, The Bank of Tokyo, Landesbank Baden, Mizuho Corporate Bank and Zurcher Kantonalbank. The applicable rate is 90 days Libor plus a spread. The term of the loan is 25 months with cancellation of principal at maturity. Part of the interest was paid in February and August 2009, the difference will be paid in March, August and September 2010.

(c) Programa Mi Vivienda - Mi Hogar (My Housing – My Home Program)

Obtained resources for the social housing program “Mi Vivienda” in domestic currency for S/.48.2 million and foreign currency for US$15.4 million. This loan amortizes through May 2026 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 domestic currency portion.

The obligation to the Fondo Mi Vivienda - Mi Hogar of S/.116.4 million as of December 31, 2009 (S/.228.1 million as of December 31, 2008) 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.

(d) Peruvian Central Bank

As of December 31, 2008, liabilities to BCRP included repurchase agreements over certificates of deposits (Note 5).

As of December 31, 2009 and 2008 the financial obligations had the following maturities:

	2009		2008	
	S/.000	%	S/.000	%
Up to 1 month	8,237	-	2,383,918	34
More than 1 month and less than 3 months	147	-	481,818	7
More than 3 months and less than 6 months	15,586	-	1,456,992	21
More than 6 months and less than 1 year	437,884	21	376,432	5
More than 1 year and less than 5 years	1,075,838	51	1,451,936	21
More than 5 years	589,302	28	835,641	12
Total	2,126,994	100	6,986,737	100

As of December 31, 2009 and 2008, some of the loans in U.S. dollars were associated with "swaps" contracts to reduce the interest rate risk (Note 15 (b)).

12. SECURITIES, BONDS AND OUTSTANDING OBLIGATIONS

The balances were as follows:

	2009	2008
	S/.000	S/.000
Corporate Bonds	440,171	577,571
Subordinated Bonds	454,581	468,820
Leasing Bonds	142,250	-
Notes (debt instruments)	722,500	785,000
Accrued expenses payable	13,424	12,082
Total	1,772,926	1,843,473

As of December 31, 2009 and 2008, outstanding securities, bonds and obligations had the following maturities:

	2009		2008	
	S/.000	%	S/.000	%
Up to 1 month	1,338	-	1,338	-
More than 1 month and less than 3 months	5,935	-	4,969	-
More than 3 months and less than 6 months	6,151	-	130,963	7
More than 6 months and less than 1 year	-	-	-	-
More than 1 year and less than 5 years	450,171	26	365,503	20
More than 5 years	1,309,331	74	1,340,700	73
Total	1,772,926	100	1,843,473	100

As of December 31, 2009 and 2008 the detail of issued bonds and notes was as follows:

Program	Authorized amount	Issuance	Series	Amount of Disbursed Currency		Balance as of December 31, 2009 S/.000	Balance as of December 31, 2008 S/.000	Maturity Date
Corporate Bonds								
First	US$50 million	First	Only	US$	40,000	-	125,275	April 2009
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	28,811	31,303	September 2012
		Fourth	A	US$	8,533	24,660	26,793	September 2014
		Sixth	A	US$	30,000	86,700	94,200	October 2012
		Seventh	Only	S/.	60,000	60,000	60,000	May 2018
						440,171	577,571	
Subordinated Bonds								
First	US$50 million or S/.158.30 million	First	A	S/.	40,000	39,753	39,733	May 2022
		Second	A	US$	20,000	57,486	62,800	May 2027
		Third	A	S/.	55,000	60,258	60,085	June 2032
Second	US$100 million	First	A	US$	20,000	57,800	62,439	September 2017
		Second	A	S/.	50,000	53,649	53,495	November 2032
		Third	A	US$	20,000	57,800	62,800	February 2028
		Fourth	Only	S/.	45,000	46,596	46,462	July 2023
		Fifth	Only	S/.	50,000	51,105	50,958	September 2023
		Sixth	A	S/.	30,000	30,134	30,048	December 2033
						454,581	468,820	
Leasing Bonds								
First	US$200 million	First	A	US$	25,000	72,250	-	April 2016
		Second	A	S/.	30,000	30,000	-	September 2014
		Third	A	S/.	40,000	40,000	-	November 2014
						142,250	-	
Notes								
First	US$250 million	First	A	US$	250,000	722,500	785,000	December 2015
						1,759,502	1,831,391	

Corporate bonds are unsecured and accrued annual interest at rates between 5.8% and 7.9% for domestic currency and between 6.2% and 6.4% for foreign currency as of December 31, 2009 (between 5.8% and 7.9% for domestic currency and between 4.5% and 6.4% for foreign currency as of December 31, 2008).

Subordinated bonds were issued according to General Law requirements and accrue annual interest at rates between 5.9% and VAC plus 4.19% spread for domestic currency and between 6% and Libor plus spread for foreign currency.

Leasing bonds are secured by the same assets financed by Grupo Continental and accrue interest at a nominal annual rate of 6.3% for domestic currency and 7.2% for foreign currency.

13. SHAREHOLDER'S EQUITY

(a) Capital stock

As of December 31, 2009 and 2008, capital stock of the Bank consisted of 1,471,242,652, outstanding ordinary shares with a face value of S/.1 each, authorized, issued and fully paid (1,109,300,824 ordinary shares as of December 31, 2008).

The Bank´s General Shareholders' Annual Meetings held on March 31, 2009 and March 27, 2008, authorized an increase of the capital stock of S/.361.9 and S/.256.4 million, respectively, by means of the capitalization of special reserves 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, 2009 and 2008, the stock market quotation value of the Bank´s stock was S/.9.05 and S/.5.15 per share, respectively.

As of December 31, 2009 and 2008, 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	8,448	3.98
1.01 to 5	2	3.94
More than 80	1	92.08
	8,451	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 31, 2009 and March 27, 2008, approved an allocation to the legal reserve of S/.72.4 and S/.59.3 million, respectively, the equivalent of 10% of net income for each year.

A special reserve has been established by appropriation of retained earnings and is considered freely available. The General Shareholder´s Meeting of March 27, 2008 approved the establishment of special reserve for profits of the year 2007 by S/.59.3 million.

The General Shareholders' Annual Meetings held on March 31, 2009 and March 27, 2008 approved the capitalization of special reserves by S/.59.3 million and S/.256.4 million, respectively.

(c) Retained earnings

General Shareholder's Annual Meetings held on March 31, 2009, and March 27, 2008, agreed to distribute dividends of approximately S/.362.1 and S/.474.6 million, respectively.

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

As of December 31, 2009 retained earnings included S/.68.5 million for unrealized gain of the available-for-sale investments portfolio (S/.16.3 million as of December 31, 2008 for unrealized losses) and S/.3.3 million corresponding to unrealized gains of held to maturity investments.

The General Shareholder's Annual Meetings on March 31, 2009, approved the capitalization of retained earnings by S/.302.6 million.

14. REGULATORY CAPITAL AND LEGAL LIMITS

As of December 31, 2009, Bank´s regulatory capital calculated following SBS regulations was S/.2,755.2 million (S/.2,565.7 million, as of December 31, 2008). This amount is used to calculate certain limits and restrictions applicable to all financial entities in Peru. In the opinion of Grupo Continental´s management such limits and restrictions are fully met by Grupo Continental.

According to the General Law, the regulatory capital amount cannot be less than 9.5% of credit, market and operational risk average weighted assets and contingent loans (as of December 31, 2008 the minimum regulatory capital requirement was 9.1% of credit and market risk average weighted assets and contingent loans).

Credit, market and operational risk average weighted assets and contingent loans calculated in accordance with applicable regulations were S/.20,699.6 million as of December 31, 2009 (S/.21,091. million as of December 31, 2008).

As of December 31, 2009 and 2008 (not including operational risk), the Bank's global leverage ratio for credit, market and operational risk was 13.31% and 11.91%, respectively.

15. CONTINGENT AND OFF-BALANCE SHEET ACCOUNTS

The balances were as follows:

	2009 S/.000	2008 S/.000
Contingent transactions:		
Indirect loans: (a)		
Guarantees and stand by letters	4,878,402	4,659,948
Letters of credit and bank acceptances	576,993	596,653
Total	5,455,395	5,256,601
Derivative financial instruments (b)	11,232,893	14,508,116
Responsibilities under credit line agreements	3,126,914	2,879,047
Total	19,815,202	22,643,764
Off-balance sheet accounts:		
Collateral received for loans given (d)	23,660,637	21,031,930
Assets and contingents qualification and credit risk weighting	27,027,905	27,291,923
Securities and assets in custody of third parties	10,827,725	10,594,749
Owned securities and assets in custody	4,865,440	4,804,142
Shares received as collection	1,475,582	1,633,041
Letter of credit	305,036	372,078
Securities and goods in guarantee	245,912	292,951
Interest on loans in suspense	151,904	159,495
Loans written-off	164,463	167,095
Consignments received	472	1,258
Securities in custody of CAVALI (g)	5,447,706	5,905,315
Other debtors	4,684,328	3,776,256
Other creditors (f)	11,184,734	9,588,678
Total	90,041,844	85,618,911
Trusts and administrations (e)	6,247,897	5,850,018
Total	116,104,943	114,112,693

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, 2009.

The change of provision for contingent operations (indirect loans) included in other liabilities on the consolidated balance sheet were as follows:

	2009 S/.000	2008 S/.000
Balances as of January 1	69,418	43,485
Provision	23,885	41,436
Recoveries	(18,539)	(17,259)
Other	(4,084)	1,756
Balances as of December 31	70,680	69,418

As of December 31, 2009, the generic provision of indirect loan portfolio of S/.59.7 million (S/.59.3 million as of December 31, 2008) included procyclical provisions of S/.22.4 million.

b) Derivative Financial Instruments

The Bank enters into forward agreements for the purchase and sale of foreign currency, interest rates swaps (IRS) and cross currency swaps (CCS).

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 for cash flows calculated on the basis of the application of either a fixed or variable interest rate according to the terms and conditions based on the definitions and regulations developed by the International Swaps and Derivatives Association, Inc. (ISDA). 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. The risk arises from the possibility that the counterparty does not comply with the established terms or from exchange rate fluctuations.

As of December 31, 2009, the amounts outstanding under forward purchase agreements were US$1,625.2 million, ¥415.4 million and €73.2 million, and of the forward selling agreements, the amounts outstanding were US$1,358.1 million, ¥415.4 million and €13.6 million, with maturities through October 2011 compared to US$1,666.7 million, ¥2,426.4. million and €280.3 million for purchase and US$1,473.5 million, ¥2,426.4 million and €282.7 million for sale as of December 31, 2008. The face value of IRS contracts in force was US$1,504.5 million as of December 31, 2009 (US$1,485.0 million as of December 31, 2008). The face value of CCS purchase agreement was US$321.3 million and for CCS sales agreement was US$427.6 million as of December 31, 2009 (US$127.3 million and US$178.2 million for buying and selling respectively, as of December 31, 2008).

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 Loss from derivative instruments, net in the statements of income.

c) Lawsuits and legal processes

As of December 31, 2009, 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/.248.9 million as of December 31, 2009 and S/.212.7 million as of December 31, 2008.

d) 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.

e) 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, 2009, the equity of investment mutual funds and of securitizations managed by Grupo Continental, amounted to S/.2,965 million and S/.436 million, respectively (S/.1,873 million and S/.407 million, respectively, as of December 31, 2008).

f) 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 fixed quarterly coupons with a 2-year grace period. The debt instruments bear interest at 90 day Libor plus a spread.

The issuances 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's management believes it was in compliance with such conditions as of December 31, 2009.

g) 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. OTHER INCOME

Other income for years ended as of December 31, 2009 and 2008 comprises commissions for credit and debit cards, maintenance fees for on-demand and savings accounts, collection, transferences, bank drafts, demand 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, 2009 and 2008 employees´ and Board of Directors' expenses comprised the following:

	2009	2008
	S/.000	S/.000
Salaries	150,626	136,709
Bonuses	145,257	127,123
Social contributions and other	37,563	35,240
Employees' severance indemnities	20,445	17,787
Vacations	13,561	12,563
Other	12,189	12,655
Total	379,641	342,077

18. ADMINISTRATIVE EXPENSES

Administrative expenses for 2009 and 2008 mainly comprised expenses for technology services fees and transport of money, taxes, advertising and promotions, insurances, general services expenses, security and surveillance.

19. OTHER INCOME AND EXPENSES, NET

Other income and expenses, net comprised the following:

	2009	2008
	S/.000	S/.000
Recovery of prior-year provisions	11,162	10,948
Gain for insurance sales	6,935	6,022
Gain for seized assets sales	5246	720
Uninsured losses	(3,277)	(1,525)
Administrative penalties	(710)	(336)
Other (expense) income	(1,561)	4,065
	17,795	19,894

20. TAXES

(a) Income tax regime

(i) Income tax rates

According to Decree Law 945 dated December 23, 2003 beginning in the fiscal year 2004, the corporate income tax rate of 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.

(ii) Transfer Pricing

For the purposes of income tax calculation and value added tax (VAT), legal entities engaged in transactions with related companies or with companies resident in territories with low or no taxation, must: (a) submit an annual special information tax return for the transactions conducted with those companies, if the amount exceeds (in thousands) S/.200 and (b) have a Transfer Pricing Technical Study, including the supporting documentation for this study, 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. Both obligations apply when at least one transaction has been conducted from, towards, or across countries with low or no taxation.

Transactions performed by domiciled taxpayers with domiciled related parties must be included in the corresponding technical price study from fiscal year 2008.

Grupo Continental conducted a Transfer Pricing Technical Study as of December 31, 2008. In management´s opinion no liabilities will arise for financial statements for 2009 and 2008 fiscal years, in connection with transfer pricing.

(b) Significant changes to income tax

By means of Laws 29306 and 29308 published on December 27 and 31, 2008, respectively, several articles of the income tax law regulation have been modified (hereinafter, the ITL). The following is a brief summary of the most important changes effective January 1, 2009:

- The high efficacy requirement (Rank of 80-125%) is no longer in force for tax purposes, in order to determine whether Derivative Financial Instruments (hereinafter, DIF) are of a hedge or speculative nature. Starting fiscal year 2009, the DIF must comply with the following requirements in order to be considered as a DIF with hedging purposes:

  – Should be held with the aim of eliminating an inherent risk in assets, property or business obligations.

  – Should be concluded between independent parties. If it has been negotiated between related parties, their acquisition must be made through a recognized market.

  – The covered risks must be clearly identifiable and not just general business risks.

  – The party responsible for tax payment must have the information to identify the type of DIF held, how it operates, its characteristics, the risk that it seeks to eliminate, mitigate or prevent in the hedged assets, property or debt, among others.

  In addition, DIF contracted starting from fiscal year 2009 will be recognized on its maturity year and not necessarily in the fiscal year when the DIF was entered into.

Legislative Decree No. 942 and its amendments by Laws No. 29342 and No. 29492, published on 31 December 2009 related to changes for determining income tax have been in force since January 1, 2010. The following is a brief summary of the most important changes for companies:

- Margins and returns required by Camara de Compensación y Liquidación de Instrumentos Financieros Derivados will not be subject to taxation in order to level the financial position in the contract.

- Interest and capital gains on certain bonds issued by the Republic of Peru and the BCR will not be subject to taxation, except those arising from a deposit reserve made by financial entities. Interest and capital gains on bonds issued prior to March 10, 2007 are still unaffected.

- The following exceptions are without effect:

  - Deposits interest which comes from entities that generate third category income tax.
  - Interest on loans to the government sector, under certain conditions, will not be subject to taxation.
  - Interest and capital readjustment from mortgage bonds.
  - Capital gains generated by the sale of shares and other securities listed on the Lima Stock Exchange, whose transfer was done through the Lima Stock Exchange.

- Annual buildings and construction depreciation rate will be 5%. No change was made to the special regime of accelerated depreciation of 20% for properties built on or after January 1, 2009 which are in not less than 80% of stage of completion as of December 31, 2010.

- The computable cost of shares with equal rights, acquired in different ways and opportunities will be the weighted average cost. In the case of securities which as of December 31, 2009 were enrolled in the Registro Público del Mercado de Valores (Public Registry of Securities) and are disposed of on or after 2010, their computable cost, will take into account the value of such securities as of December 31, 2009, following the procedure set by the regulation.

- The special procedure to determine non-deductible financial expenses associated with exempted income generation of financial institutions, continue during fiscal year 2009.

- Long-term investments in securities remain recorded at the exchange rate of the purchase date, only if they are non-monetary items.

- The Clearing Houses and Settlement, in the case of securities transactions conducted through centralized trading mechanisms, cease to be withholding agents.

- Non-domiciled legal entity will pay 5% of income from the disposal of securities issued by Peruvian companies only if their activities are inside the country. At the regulatory level, operations carried out in the stock market are considered as activities inside Peru.

- Non-domiciled entity's gain generated from derivatives instruments contracts with a domiciled entity, where the underlying refers to the exchange rate of domestic currency with a foreign currency and where the effective date is less than the one established by law, will be considered as Peruvian source income.

(c) The income tax expense and workers' profit sharing expenses, comprised the following:

	2009	2008
	S/.000	S/.000
Current workers' profit sharing and income tax	484,743	392,554
Deferred workers' profit sharing and income tax	(63,302)	(58,563)
Total	421,441	333,991

(d) Tax situation

Income tax returns of Grupo Continental which are pending review by the tax administration were as follows:

Companies	Years subject to review
Banco Continental	2007 to 2009
Continental Bolsa Sociedad Agente de Bolsa S.A.	2005 to 2009
Continental S.A. Sociedad Administradora de Fondos	2005 to 2009
Continental Sociedad Titulizadora S.A.	2005 to 2009
Inmuebles y Recuperaciones Continental S.A.	2005 to 2009

The Tax Administration is authorized to perform reviews within four years following the year of presentation 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, 2009 and 2008.

21. DEFERRED INCOME TAX AND WORKERS' PROFIT SHARING

The change in the net asset from deferred income tax and workers´ profit sharing during 2009 and 2008, and the description of related temporary differences were as follows:

2009		Additions/Recoveries		
	Beginning Balances S/.000	Equity	Net Income	Ending Balances S/.000
Assets:				
Generic provision for loans	160,219	-	18,129	178,348
Provision for contingent loans - general	20,151	-	235	20,386
Provision for assets seized	5,757	-	947	6,704
Provision for contingent credits - specific	1,822	-	713	2,535
Provision for suppliers	6,802	-	28,780	35,582
Provision 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

2008	Beginning Balances S/.000	Additions/Recoveries Equity	Net Income	Ending Balances S/.000
Assets:				
Generic provision for loans	97,381	-	62,838	160,219
Provision for contingent loans - general	22,133	-	(1,982)	20,151
Provision for assets seized	8,616	-	(2,859)	5,757
Assets related to leasing contracts	745	-	(745)	-
Provision for contingent credits - specific	521	-	1,301	1,822
Provision for suppliers	503	-	6,299	6,802
Tax loss	2,058	-	(1,475)	583
Total asset	131,957	-	63,377	195,334
Liabilities:				
Net cost of leasing contracts	944	-	(944)	-
Other	872	4,402	(872)	4,402
Leveling of assets and liabilities	2,909	-	6,630	9,539
Total liabilities	4,725	4,402	4,814	13,941
Deffered income tax asset, net	127,232	(4,402)	58,563	181,393

Changes in net asset for deferred income tax were as follows:

	2009 S/.000	2008 S/.000
Deferred tax recognized:		
Deferred tax at the beginning of the year	181,393	127,232
Debit to equity (Note 2(t))	(707)	(4,402)
Credit to results of the year	63,302	58,563
Deferred income tax asset at end of the year	243,988	181,393

22. BASIC AND DILUTED EARNING PER SHARE

Basic and diluted earnings per share results for 2009 and 2008 were as follows:

	Quantity of shares 2009 In thousands	2008 In thousands
Outstanding at beginning of the year	1,109.3	852.9
Free capital reserve capitalization	59.3	315.7
Earning capitalization	302.6	302.6
Outstanding at end of the year	1,471.2	1,471.2
Net income for the year (in thousands of Peruvian Nuevos soles)	927,511	724,110
Basic and diluted earnings per share	0.63	0.49

23. TRANSACTIONS WITH RELATED PARTIES

As of December 31, 2009 and 2008, the main transactions with related companies and subsidiaries for credits, financial services and corresponding relationships, among others, were as follows:

	2009 S/.000	2008 S/.000
Assets:		
Cash and due from banks	25,910	35,632
Loans, net	48	99
Other assets	120,735	135,483
Liabilities:		
Obligations to the public and deposits with financial institutions	137,483	143,892
Debts and financial obligations	-	349,945
Other liabilities	99,664	235,238
Contingent and off-balance sheet accounts:		
Contingent accounts	4,163,548	4,804,714
Off-balance sheet accounts	1,645,700	1,617,977

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 2009 and 2008 were the following:

	2009 S/.000	2008 S/.000
Financial income	36	1,462
Financial expenses	(8,523)	(13,702)
Other income (expenses), net	(41,230)	(24,364)

Personnel Loans

As of December 31, 2009 and 2008, directors, executives and employees of Grupo Continental maintained permitted operations with the Bank in accordance with the General Law, which regulates and establishes certain limits on transactions with directors, executives and employees of banks in Peru. As of December 31, 2009 and 2008, direct loans to employees, directors, executives and key personnel were S/.135 million and S/.122 million, respectively.

For 2009, key staff salaries and director salaries amounted to S/.6.17 million. (S/.7.03 million as of December 31, 2008).

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.

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.

Grupo Continental uses Value at Risk (hereinafter VaR) as a methodological tool to estimate market risk for positions maintain based on a series of assumptions to determine changes in the general conditions of financial markets, showed in distortions of, for instance, interest rates or exchange rates, under the assumption that portfolio would stay unchanged during a temporary period. This tool follows a parametric model to reach a 99% level of reliability and a 10-day time horizon.

Grupo Continental has set limits within which the VaR is accepted, which are monitored daily. Also, Grupo Continental performs historical validation testing (back-testing) and analysis of impact in the statements of income of critical scenarios (stress-testing), which can be historic or forecast.

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, Grupo Continental has a Contingency Plan of Liquidity, which considers scenarios of very low liquidity and the role that would correspond to each area of the Grupo Continental.

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 economic capital, 105 rate scenarios are built, which are used to calculate the same number of economic 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 movements 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 of volatility of exchange rates.

Most of the assets and liabilities are issued in U.S. dollars. Grupo Continental minimizes risk of devaluation/revaluation, 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 the 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 in banks accruing interest, investments in securities, loans and other assets. Cash and cash equivalents, as well as term bank deposits are placed in 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 by 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 a liability or as capital according to the nature of the contractual agreement which originated it. Interest, 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 the 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 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 Continental 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 interest 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 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 interest 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 in Note 15, the Bank granted guarantees, letters of guarantees and letters of credit 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 to present value using the market curves, which are calculated on a daily basis. These curves are built using inputs that are observable public contributors (price vendors) or trading systems (Datatec, Bloomberg, Reuters, etc.).

26. SUBSEQUENT EVENTS

We do not have knowledge of any events that have occurred subsequent to the closing date of the financial statements and the date of this report, which have not been disclosed and can affect them significantly.

(Free translation from the original in Spanish)

BANCO CONTINENTAL AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND DECEMBER 31, 2006

(Free translation from the original in Spanish)

BANCO CONTINENTAL AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND DECEMBER 31, 2006

CONTENTS Pages

S/. = Peruvian new sol
US$ = United States dollar
€ = Euro
¥ = Japanese yen

PRICEWATERHOUSECOOPERS

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(Free translation from the original in Spanish)

REPORT OF INDEPENDENT AUDITORS

February 13, 2008

To the Shareholders and Board of Directors
Banco Continental S.A.

We have audited the accompanying consolidated financial statements of **Banco Continental S.A.** (a subsidiary of Holding Continental S.A.) **and subsidiaries** which comprise the consolidated balance sheets as of December 31, 2007 and December 31, 2006 and the consolidated statements of income, of changes in net shareholders equity and consolidated cash flows for the years then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting principles applicable to financial institutions in Peru. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with generally accepted auditing standards in Peru. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

PRICEWATERHOUSECOOPERS

February 13, 2008
Banco Continental S.A.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of **Banco Continental S.A.** and subsidiaries as of December 31, 2007 and December 31, 2006, and of their financial performance and their cash flows for the years then ended in accordance with generally accepted accounting principles applicable to financial institutions in Peru.

Dongo Soria Gaveglio

Countersigned by

-------------------------------(partner)
Arnaldo Alvarado L.
Peruvian Public Accountant
Registration No.7576

(Free translation from the original in Spanish)

BANCO CONTINENTAL AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

ASSETS

	As of December 31, 2007 S/.000	2006 S/.000
CASH AND DUE FROM BANKS (Note 5)		
Cash and deposits in the Central Reserve Bank of Peru	4,273,975	2,928,332
Deposits in local and foreign banks	209,754	354,062
Clearing accounts	95,972	159,536
Other deposits	7,277	9,128
Accrued interest receivable	8,358	4,710
	4,595,336	3,455,768
INTER-BANK FUNDS	120,016	12,293
INVESTMENTS IN SECURITIES, NET (Note 6)	2,812,292	1,965,022
LOANS, NET (Note 7)	16,227,660	12,456,440
PERMANENT FINANCIAL INVESTMENTS, NET	6,297	4,833
PROPERTY, FURNITURE AND EQUIPMENT, NET (Note 8)	290,660	272,515
OTHER ASSETS (Note 9)	679,027	414,943
TOTAL ASSETS	24,731,288	18,581,814
CONTINGENT AND OFF-BALANCE SHEET ACCOUNTS (Note 16)		
Contingent operations	13,915,597	6,527,798
Off-Balance sheet accounts	135,414,045	52,150,063
Trusts in administrations	5,178,289	3,571,879
	154,507,931	62,249,740

The accompanying notes from page 7 to 35 are an integral part of the consolidated financial statements.

LIABILITIES AND NET SHAREHOLDERS' EQUITY

DEPOSITS AND OTHER OBLIGATIONS (Note 10)
Demand deposits
Savings deposits
Time deposits
Deposits received from financial institutions
Other obligations
Accrued interest payable

INTER-BANK FUNDS (Note 10)

DUE TO BANKS AND CORRESPONDENTS (Note 10)

SECURITIES AND OUTSTANDING OBLIGATIONS (Note 11)

OTHER LIABILITIES (Note 9)

NET SHAREHOLDERS' EQUITY (Note 13)
Capital
Voluntary reserve
Legal reserve
Retained earnings

TAX SITUATION (Note 15)

TRANSACTIONS WITH RELATED PARTIES (Note 21)

TOTAL LIABILITIES AND NET SHAREHOLDERS' EQUITY

CONTINGENT AND OFF-BALANCE SHEET ACCOUNTS (Not
Contingent operations
Off-Balance sheet accounts
Trusts in administrations

(Free translation from the original in Spanish)

BANCO CONTINENTAL AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

	For the years ended December 31,	
	2007	**2006**
	S/.000	**S/.000**
FINANCIAL INCOME		
Interest from loans	1,468,005	1,109,899
Interest and gain on sales of investments in securities	217,225	207,958
Interest from deposits in financial institutions	97,367	91,803
Exchange differences from various transactions	94,965	10,944
Income from permanent financial investments	997	599
Exchange differences from derivative instruments	12,338	61,774
Adjustment for indexation	2,612	5,623
Interest and commissions from Inter-bank funds	2,834	1,075
Income from derivative investments	65,218	33,459
Other	1,984	6,724
	1,963,545	1,529,858
FINANCIAL EXPENSES		
Interest on deposits	(420,310)	(362,241)
Interest on obligations with financial institutions and international financial organizations	(148,923)	(75,145)
Fee paid to the "Fondo de Seguro de Deposito"	(19,254)	(17,507)
Loss on valuations and sales of investments in securities	(30,228)	(26,731)
Interest on securities and obligations outstanding	(31,222)	(17,483)
Loss from derivative investments	(78,479)	(24,828)
Re-adjustment for indexation	(2,334)	(1,364)
Other	(4,804)	(11,518)
	(735,554)	(536,817)
Gross financial margin	1,227,991	993,041
PROVISIONS FOR IMPAIRMENT OF INVESTMENTS IN SECURITIES AND LOAN LOSSES		
Recovery of provisions for impairment of value of investments in securities	73	(3,210)
Loans (Note 7)	(297,112)	(170,742)
Recovery of provisions for loan losses (Note 7)	130,120	123,780
	(166,919)	(50,172)
Net financial margin	1,061,072	942,869
INCOME FROM FINANCIAL SERVICES		
Commissions from contingent operations	60,646	44,893
Other income from various financial services (Note 17)	323,817	271,281
	384,463	316,174
Operating profit margin	1,445,535	1,259,043
OTHER EXPENSES AND INCOME		
Personnel and Board of Directors' expenses (Note 18)	(289,220)	(258,099)
General expenses (Note 19)	(257,503)	(218,677)
Provision for accounts receivable	(12,268)	(18,405)
Recovery (provision) for assets seized and recovered through legal actions	12,113	(6,301)
Provision for contingent operations (Note 16)	(17,865)	(18,972)
Other provisions	(6,854)	(40,079)
Depreciation and amortization	(49,070)	(41,504)
Income from recovery of loan portfolio previously written-off	10,156	19,323
Other income, net (Note 20)	46,145	50,319
	(564,366)	(532,395)
Income before workers' profit sharing and income tax	881,169	726,648
Workers' profit sharing (Note 14)	(35,834)	(30,350)
Income tax (Note 15)	(253,354)	(209,530)
Net income for the year	591,981	486,768
Weighted-average number of outstanding shares (in thousands of shares)	852,896	852,896
Basic and diluted earnings per share in Peruvian new soles (Note 22)	0.69	0.57

The accompanying notes from page 7 to 35 are an integral part of the consolidated financial statements.

(Free translation from the original in Spanish)

BANCO CONTINENTAL AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN NET SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2007 AND DECEMBER 31, 2006

	Capital	Voluntary reserve	Legal reserve	Retair earnir
	S/.000	S/.000	S/.000	S/.000
Balances as of January 1, 2006	852,896	53,786	195,115	41
Transfer to Legal reserve and Voluntary reserve	-	80,436	40,218	(12
Cash dividends	-	-	-	(28
Net income for the year	-	-	-	48
Balances as of December 31, 2006	852,896	134,222	235,333	50
Transfer to Legal reserve and Voluntary reserve	-	122,183	48,820	(17
Cash dividends	-	-	-	(39
Adjustment for deferred income tax asset	-	-	-	7
Net income for the year	-	-	-	59
Balances as of December 31, 2007	852,896	256,405	284,153	60

The accompanying notes from page 7 to 35 are an integral part of the consolidated financial statements.

(Free translation from the original in Spanish)

BANCO CONTINENTAL AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

	For the years ended December 31,	
	2007	**2006**
	S/.000	**S/.000**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	591,981	486,768
Adjustments to reconcile net income to cash from operating activities:		
Provision for loan losses, net of recoveries	166,992	46,962
Depreciation and amortization	49,070	41,504
Provision for impairment (recovery of provision) of value of investments in securities	(73)	3,210
Net recovery of provision for assets seized and recovered through legal actions	(12,113)	(5,262)
Net provision for accounts receivable	12,268	15,511
Provision for contingent operations,	17,865	6,827
Other provisions, net	6,854	11,349
Net gain from sale of investments in securities	(49,885)	(37,229)
Net loss on sales of fixed assets, assets seized and recovered through legal actions	497	9,692
Other adjustments	-	1,866
Changes in assets and liabilities:		
Net increase in other assets	(242,282)	(246,518)
Net increase in other liabilities	117,622	81,743
Cash and cash equivalents provided by operating activities	658,796	416,423
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions of property, furniture and equipment	(60,033)	(49,254)
Sale of assets seized and recovered through legal actions	43,996	28,862
Cash and cash equivalents applied to investing activities	(16,037)	(20,392)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in deposits and other obligations	2,583,850	(314,762)
Increase in due to banks and correspondents	2,730,156	232,721
Issue of securities and outstanding obligations	418,074	120,454
Net increase in loans	(3,938,212)	(3,388,103)
Net (increase) decrease in investments in securities	(798,776)	1,610,104
Cash dividends	(390,560)	(281,526)
Cash and cash equivalents provided by (applied to) financing activities	604,532	(2,021,112)
Net increase (decrease) in cash and cash equivalents	1,247,291	(1,625,081)
Cash and cash equivalents at the beginning of the year	3,468,061	5,093,142
Cash and cash equivalents at the end of the year	4,715,352	3,468,061

The accompanying notes from page 7 to 35 are an integral part of the consolidated financial statements.

(Free translation from the original in Spanish)

BANCO CONTINENTAL AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND DECEMBER 31, 2006

1 BUSINESS ACTIVITIES

a) Background -

Banco Continental (hereinafter the Bank) is a subsidiary of Holding Continental S.A. which has a holding of 92.08%. The Bank is a company incorporated on October 9, 1951, authorized to operate by the Superintendence of Banking, Insurance and AFP (hereinafter SBS). The Bank's legal address is Av. Republica de Panama No. 3055 – San Isidro.

b) Business activity -

Its activities comprise principally financial intermediary services corresponding to multiple service banks, governed by the SBS in accordance with the General Law of the Financial System and the Insurance System and Organic Law of the SBS No.26702 (hereinafter General Law), establishing the requirements, rights, obligations, guarantees, restrictions and other conditions binding companies under private law operating in the financial and insurance system.

The Bank conducts its activities through a national network of 239 offices (219 in 2006). The personnel employed by the Bank and its subsidiaries to carry out its activities as of December 31, 2007 and December 31, 2006 are 3,732 and 3,281, respectively.

c) Approval of financial statements -

In accordance with the Peruvian legislation, the financial statements as of December 31, 2007 have been prepared by Management, and will be submitted to the General Shareholders' Meeting within the term established by law. The financial statements at December 31, 2006 were approved to by the General Shareholders' Meeting held on March 30, 2007.

The consolidated financial statements include the financial statements of the Bank and its subsidiaries (hereinafter the Continental Group), which are as follows; Continental Bolsa - Sociedad Agente de Bolsa S.A., engaged in brokerage activities in the Peruvian securities market; Fondos Continental Sociedad Administradora de Fondos S.A., engaged in managing mutual and investment funds; Inmuebles y Recuperaciones Continental S.A., engaged in real estate business and asset recovery of assets and Continental Sociedad Titulizadora S.A., engaged in securitization activities.

Major balances of the companies comprising the Continental Group as of December 31, 2007 and 2006, and the percentage of interest owned directly and indirectly by the Bank as of those dates, as well as other relevant information are as follows:

Entity	Activity	Percentage Of interest 2007	2006	In millions of Peruvian new soles Assets 2007	2006	Liabilities 2007	2006	Net equity 2007	2006
Banco Continental S.A.	Banking	-	-	24,728	18,589	22,741	16,878	1,987	1,711
Continental Bolsa Sociedad Agente de Bolsa S.A.	Brokerage	100.00	100.00	55	21	13	8	42	13
Continental Fondos S.A.	Mutual funds	100.00	100.00	25	14	2	-	23	14
Continental Sociedad Titulizadora S.A.	Asset manager	100.00	100.00	3	3	-	-	3	3
Inmuebles y Recuperaciones Continental S.A.	Real estate and recoveries	100.00	100.00	56	91	1	1	55	90

2 ACCOUNTING PRINCIPLES AND POLICIES

The most significant accounting principles and policies applied in the preparation of the financial statements are detailed below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of presentation -

The consolidated financial statements are prepared in accordance with generally accepted accounting principles, applicable to financial institutions in Peru, which mainly comprise standards and accounting practices established by the SBS and when applicable, the International Financial Reporting Standards (IFRS) made official through resolutions issued by the National Council of Accountancy. IFRS comprise International Accounting Standards (IAS) and pronouncements of the Standing Interpretations Committee (SIC and IFRIC). At the date of the financial statements, the National Council of Accountancy has made official the application of IAS 1 through 41, IFRS 1 through 6 and the Interpretations SIC No.1 through 33; IFRS 7 and 8 and all pronouncements from IFRIC remain to be made official.

The financial statements of 2007 and 2006 have been prepared under the historical cost convention as modified by marketable investments recognized at their fair value (including derivative financial instruments) and the equity value of the permanent investments.

The preparation of the financial statements in conformity with accounting principles generally requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Continental Group's accounting policies. Critical accounting estimates and judgment are described in Note 4.

New accounting pronouncements -

Certain standards and amendments have been issued and are effective internationally for periods beginning on or after December 31, 2007. These standards have not been approved by the National Council of Accountancy. Those applicable to the Bank are IFRS 7 Financial instruments: Disclosure and a complementary amendment to IAS 1, Presentation of financial statements - Capital Disclosures (effective internationally from 1 January 2007).

The Continental Group considers that these standards will have an impact only on the disclosure and presentation of its financial statements.

b) Consolidation -

Subsidiaries are all entities over which the Bank has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Bank. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated.

c) Translation into foreign currency -

- Functional and Presentation Currency:

The items included in the Continental Group's financial statements are expressed in the currency of the primary economic environment in which the entity operates (functional currency). Financial statements are presented in Peruvian new soles, which is the Continental Group's functional and presentation currency.

- Transactions and balances:

Foreign currency transactions are translated into the functional currency using the exchange rates established by SBS prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of income.

d) Provision for loan losses -

The provision for credit risk is maintained at a level that, in the judgment of the Bank's management, is sufficient to cover potential losses in the loan portfolio at the balance sheet date.

The SBS has established procedures for the classification and risk rating of the portfolio of direct and indirect loans in Peru. Under this classification there are commercial loans, granted to micro companies (MES), consumer loans and mortgage loans.

The provision for credit risk includes a specific and generic portion. The specific portion has been determined following the regulations issued by SBS and, in the case of commercial loans, it is calculated on the basis of percentages established by SBS considering the client classification, the type of loan and type of guarantee received. Periodically, Management performs, based on SBS regulations, formal reviews and analysis of the loan portfolio, authorizing the adjustments of the provision, as appropriate. This review and analysis includes specific clients against whom legal actions should be brought or have been brought as well as those clients who appear to have financial difficulties. In the case of MES loans, consumer and mortgage loans, the specific provision is calculated on the basis of the percentages established by SBS, relative to the risk rating of the debtor and the number of days of debt delinquency.

The generic provision includes the provision for normal loans made in accordance with SBS requirements as well as voluntary provisions determined on the basis of the analysis of the specific economic conditions of clients of the refinanced and restructured portfolio, previous experience as well as other factors, which, in the Management's judgment, merit the recognition of possible losses in the loan portfolio. The amount of the generic provision is reported to the SBS on a monthly basis.

e) Leasing transactions -

Lease agreements are accounted for as loans. Until 2000, for purposes of calculation of income tax, the subscribed agreements were accounted for as fixed assets.

f) Investments in securities -

The Bank has classified and valued its investments in securities as established under SBS Resolution No.1914-2004.

In all cases, the investment is initially recorded at acquisition cost, without considering acquisition costs, such as taxes, broker fees, other rights and commissions.

Investments in trading securities -

Comprising marketable debt and/or equity securities, which are quoted and should be traded in a period of no more than six months. They are initially recorded at cost and are valued daily at market value. The related gain or loss is recorded monthly in the results of the period.

Investments in available-for-sale securities -

Comprise those securities maintained for the purpose of trading them and generate revenue from their sale before their maturity. They are recorded at the lower of cost or market value on the basis of the global portfolio. The related provisions are stated in an equity account of impairment losses until the related securities are sold. When these securities are sold, the losses arising from impairment, previously recognized as part of equity, should be included in results of the period. Likewise, when the Continental Group considers that the decline in market value or equity value is not temporary, it should make provisions to be included in the results of the period, as appropriate.

For debt securities, the companies should update the accounting value of such instruments by deducting the related discount received or equity paid.

Permanent investments -

Comprise securities representing capital and which have been acquired in order to have an equity participation and obtain control or relation with other companies or institutions. They are recognized under the equity method.

The equity value should be determined to the satisfaction of SBS. For securities traded in centralized active markets, when their market value shows a downward trend, SBS may require provisions for impairment, for the difference between the market and equity value.

In any of the cases stated above, if SBS considers that a provision should be made for any investment, such a provision will be determined on the basis of each security and recorded in the results of the period.

The difference arising between the income received from the sale of investments in securities and their related carrying amount is recognized in the statement of income.

g) Property, furniture and equipment -

The items of property furniture and equipment are stated at historical cost, less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of these items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Continental Group and the cost of the item can be measured reliably. Maintenance and repair costs are charged to the results of the year when they are incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method at rates considered sufficient to absorb the cost or its revalued amount less its residual value, over the estimated useful lives of the assets, as follows:

- Buildings	33 years
- Installations, fixed and movable	33-10 years
- Improvements in leased facilities	10 years
- Furniture and fixtures	10 years
- Vehicles	5 years
- Computer equipment	4 years

Residual values and useful lives of assets are reviewed and adjusted, if appropriate, at each balance sheet date.

The carrying amount of an asset is written off immediately to its recoverable amount if the carrying amount exceeds the estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the consolidated statement of income.

h) Assets seized and recovered through legal actions -

Assets seized and recovered through legal actions are included in Other assets. Seized Assets are recorded initially at the lower value as result of the comparison of the seized value and the value of the outstanding debt and the realizable assets at the lower value resultanting from the comparison of the outstanding debt and the net realizable value. Also, in accordance with the SBS regulations, the following provisions are made:

- 20% of the value at the date of seizure or recovery for all assets received.

- For assets other than property, a provision is made for the remaining balance over a term not exceeding 18 months.

- Additionally, a provision is made for the reduction in value of property, if necessary, 18 months after seizure or recovery which should be made over a maximum term of 42 months. Also, annually, the valuation of that asset should be made by an independent appraiser and, if this value is lower, an additional provision would be made.

Realizable assets comprise principally land and buildings and are recorded at cost. The cost of assets sold or retired is eliminated from the respective accounts and the related profit or loss is recognized in results of the related period. Proceeds from the sale of realizable assets are recorded when the purchaser has signed the ownership transfer deed and payment of the initial installment has been made effective as established in the related agreement.

In calculating the provision for impairment, the net realization value is used as obtained from independent appraisers, as duly authorized by SBS. If the carrying amount is higher than the appraisal value, the related provision is made for such a difference. The Management of Continental Group considers that the provision made is sufficient to cover the eventual impairment of the realizable assets.

i) Intangible assets -

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives estimated to be between one and three years.

Costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Continental Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognized as assets are amortized over their estimated useful lives.

j) Securities and obligations outstanding -

The liability arising from corporate and subordinated bonds are accounted for by the amortized cost method and the accrued interest payable is recognized in the results of the period at it effective interest.

k) Provisions -

Provisions are recognized when the Continental Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

l) Employees' benefits -

Workers' profit sharing:

The Bank recognizes a liability and expense for workers' profit sharing, at 5% of the taxable income determined under current Peruvian tax laws.

In accordance with current legislation, the subsidiaries are not obliged to pay participations to the personnel when having less than twenty workers.

Employees' vacations and other employees´benefits

The personnel's annual vacation leave, other paid absences and other personnel benefits are recognized on the accrual basis. The provision for the estimated obligation for annual vacations and other paid absences of personnel arising from the services provided by them is recognized at the balance sheet date.

Employees' severance indemnities:

The provision for employees' severance indemnities comprises all employees' rights to indemnities under current regulations. The related payments, considered as definitive, are mainly credited to the Bank, the financial institution chosen by employees.

m) Income tax -

Current -

Income tax and workers' profit sharing are calculated and recorded on the basis of the taxable income under tax laws in force.

Deferred -

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Also, in accordance with to Communication SBS No.12441 dated July 6, 2007, the Bank was authorized by SBS to recognize a deferred income tax amounting to S/.73.4 million corresponding to the generics provisions made for prior-year loans.

n) Capital stock -

Common shares are classified as equity.

o) Dividend distribution -

Dividend distribution is recognized as a liability in the financial statements in the period in which the dividends are approved by the shareholders.

p) Forward transactions -

Forward transactions are recognized in results, on a monthly basis, depending on the term of the transaction. Forward transactions are recorded at nominal value in the related currency, in the Contingent transactions account (off-balance sheet account).

q) Recognition of revenues and expenses -

Interest income, interest expenses and commissions on financial services are recorded on the accrual basis over the period of the related transaction.

When the collection of the principal of past-due loans, refinanced and restructured loans as well as loans rated as doubtful and loss becomes uncertain, the related interest is recognized on the cash basis.

When it is determined that the financial condition of the borrower has improved to the extent that the principal is deemed collectible, accrual accounting for interest is restored.

Other revenue and expenses are generally recorded in the period when they fall due.

r) Contingencies -

Contingent liabilities are not recognized in the financial statements unless it is probable that an outflow of resources will be required to settle the obligation. Contingencies are shown in the notes to the financial statements unless their occurrence is considered remote. Contingent assets are not recognized in the financial statements and they are disclosed only if there is a probability of realization.

s) Fiduciary activities -

Assets involving the obligation to return assets to clients and regarding which the Continental Group acts as a trustee or in any other fiduciary capacities, have been excluded from these consolidated financial statements.

t) Basic and diluted earnings per share -

Basic earnings per share are calculated by dividing the net income for the year by the weighted-average number of the shares outstanding at the balance sheet date.

As of December 31, 2007 and 2006, the Continental Group does not have diluted financial instruments; accordingly, the basic and diluted earnings per share are the same.

u) Cash and cash equivalents -

Cash and cash equivalents include cash and due from banks and inter-bank funds. Bank overdrafts in the balance sheet are included as a liability.

v) Reclassifications -

The following accounts of the 2006's financial statements have been reclassified for comparison with the 2007's financial statements:

- Income from deferred income tax shown under Other income, net has been reclassified to Income tax in the income statement.
- The deferred income tax liabilities have been presented net of its asset position in the balance sheet
- Mutual funds, in off-balance sheet accounts, of investment securities managed by Continental S.A. Sociedad Administradora de Fondos and equity securities in off-balance sheet accounts, managed by Continental Sociedad Titulizadora have been reclassified to Trust in administration off-balance sheet account.
- Recoveries of provisions relating to tax-court claims shown under Other income, net were reclassified to Other provisions in the income statement.

w) Substantial errors -

substantial errors made in preparing prior-year financial statements identified in the current period are corrected retrospectively by re-stating the opening balances of assets and equity accounts, as appropriate. In 2007, a deferred income tax assets arising from the generic provision for prior-year seized assets, giving rise to a correction in the opening of retained earnings of 2006, the Other assets item and results of such year amounting to S/.15.89 million, S/.14.46 million and S/.1.43 million, respectively.

3 FINANCIAL RISK MANAGEMENT

The Continental Group's Management based on its experience and capacity manages market risk, liquidity risks, interest risk, currency risk and credit risk as follows.

Market risk

The Continental Group is exposed to market risks in the normal course of its operations. The market risk comprises the risk of loss for future adverse fluctuations in the prices of the products in the financial markets in which the Continental Group maintains open positions. Continental Group uses the methodological tool Value at Risk (VaR) to estimate the market risk of the positions maintained as well the foreseen losses maximum, on the basis of several assumptions for certain changes in market conditions. The Continental Group has established limits within which the VaR is accepted and that are monitored on a daily basis. Likewise, the Continental Group makes a retrospective analysis of the future worst-case scenarios to evaluate the accuracy of the model and the assumptions used.

The daily VaR of Continental Group is calculated on a ten-day horizon and with a confidence level of 99%.

Liquidity risk

The Continental Group manages its liquidity by matching assets and liabilities and maintaining lines of credit available in financial institutions to make sure its operations have carried out normally.

Interest rate risk

The Continental Group is principally engaged in providing medium and long-term financing mainly to local clients. Funds for commercial financing are principally obtained by incurring in short, medium and long-term liabilities, agreed basically at fixed and floating interest rates. The Continental Group manages its interest rates risk by matching assets and liabilities based on its repricing or maturity date.

The net revenues from interest and the market value of interest-bearing assets fluctuate on the basis of changes in the exchange rates and the ratio of profitability between assets and liabilities.

Exchange rate risk

Most assets and liabilities are maintained in U.S. dollars. The Continental Group minimizes the devaluation and inflation risks by matching its assets and liabilities transactions in Peruvian new soles and United States dollars.

Balances in foreign currency as of December 31, 2007 and 2006 have been stated in Peruvian new soles at the exchange rate established by SBS of S/.2.996 and S/.3.196 per US$1, respectively.

The balances in foreign currency as of December 31 are summarized as follows:

	2007 **US$000**	**2006** **US$000**
Assets		
Cash and due from banks and Inter-bank funds	1,380,585	947,247
Investments in securities, net	55,082	90,960
Loans, net	3,322,600	2,437,112
Other assets	30,848	13,821
	4,789,115	3,489,140
Liabilities -		
Deposits and obligations	3,392,415	2,673,051
Due to banks and correspondents	1,283,547	429,621
Securities and obligations outstanding	129,862	49,306
Other liabilities	42,110	24,864
	4,847,933	3,176,842
Net (liability) asset	(58,818)	312,298
Forward and other derivatives, net of its selling position	138,832	(201,919)
Net asset position	80,014	110,379

Foreign currency transactions in Peru and foreign trade operations are carried out through the financial free market. As of December 31, 2007, the weighted-average free market buying and selling exchange rate established by SBS was S/.2.995 and S/.2.997 per US$1, respectively (S/.3.194 and S/.3.197 per US$1, respectively, as of December 31, 2006).

Credit risk

Credit risk is mainly controlled through the evaluation and analysis of separate transactions considering such aspects as credit concentration of economic groups, credit individual limits, and evaluation of economic sectors, expected losses of portfolio, preferential guarantees and requirements for working capital.

Financial assets which show a potential credit risk are mainly cash and cash equivalents, interest-bearing deposits in banks, investments in securities, loans and other assets. Cash and cash equivalents as well as time deposits with banks are placed with prestigious financial institutions.

The information about interest rates applied to loans, the maturity terms and credit concentration levels are stated in Note 7.

Fair value estimation

Financial instruments are defined as any contract that gives rise simultaneously to a financial asset in an enterprise and a financial liability or equity instrument of another enterprise. The Continental Group's financial instruments include primary instruments, such as, accounts receivable, accounts payable, equity instrument of another company and derivative financial instruments (future contracts).

The financial instruments are classified as a liability or equity on the basis of the substance of the underlying contractual agreement. Interest, dividends and profit and loss from a financial instrument classified as a liability are recorded as expenses or income in the statement of income. Payments to holders of financial instruments classified as equity are recognized directly in shareholders' equity. Offsetting of a financial asset and a financial liability is required when there is a legal right to off-set and the Continental Group's Management has the intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Fair value is the amount for which an asset can be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction, considering the assumption that the entity is an ongoing business.

When a quoted market price is not available, or may not be indicative of the fair value of the financial instrument, to determine such fair value, the current market value of another instrument that is substantially similar, discounted cash flow analysis or other estimation techniques may be used, all of which are significantly affected by the assumptions used so that any change in the estimation methodology used can have a significant effect on the fair values of the financial instruments. Although management uses its best judgment in estimating the fair value of these financial instruments, the fair value may not be indicative of the net realizable or liquidation value.

The methodologies and assumptions used depend on the terms and risk characteristics of the various instruments and include the following:

i) Cash and due from banks and Inter-bank funds represent cash and short-term deposits that do not represent significant credit risks.

ii) The fair value of the available-for-sale investments have been determined on the basis of the quoted market prices at the date of the financial statements. Investments in debt securities bear interest at market rates. The carrying amount of such investments, as determined in accordance with SBS regulations, differs from the quoted market prices, as described in Note 6.

iii) Market value of loans is similar to their carrying amounts, net of the respective provision for loan losses, which is considered by the Management as the recoverable amount at the date of the financial statements. In addition, the portfolio of loans bears interest at market rates.

iv) The market value of deposits and obligations is similar to their carrying amounts, principally because they are current and because that the interest rates are comparable with the interest rates of other similar liabilities.

v) Due to banks and correspondents generate interest contracted at floating interest rates and preferential rates and their carrying amount is considered to be similar to their market value.

vi) As disclosed in Note 16, the Continental Group has outstanding guarantees, performance bonds and letters of credit and has received guarantees in endorsement of the loans granted. Based on the level of fees currently charged for granting such contingent credits, taking into account maturity and interest rates, together with the present creditworthiness of the counterparties, the difference between the carrying amounts and the fair value is not material. Because of the uncertainty involved in assessing the likelihood and timing of guarantees being drawn, coupled with the lack of an established market, it is not practical for the Bank to determine the estimated fair value of outstanding guarantees received.

vii) Foreign exchange forward contracts are recorded at their fair values which is similar at their carrying amounts.

Consequently, Continental Group’s Management considers and in accordance with what is stated above, no significant differences exist between the account balances and fair values of the financial instruments of the Continental Group as of December 31, 2007 and 2006.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Critical accounting estimates made by management are permanently evaluated and are based on the historical experience and other factors, including the expectation of future foreseeable events the occurrence of which is considered reasonable under the circumstances.

Critical accounting estimates -

The Continental Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. However, in the Management’s opinion, the estimates and assumptions of the Continental Group do not have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year.

Income tax

Determination of the tax obligations and expenses requires interpretations of the applicable tax laws and regulations. The Continental Group seeks legal tax professional advice before making any decision on tax matters. Even though Management considers estimates are prudent and appropriate, differences of interpretation may arise from the interpretation made by the Peruvian Tax Authorities that may require future adjustments for taxes.

5 CASH AND DUE FROM BANKS

As of December 31, 2007, cash and due from banks include approximately US$1,301.32 million and S/.375.4 million (US$697.1 million and S/.36.9 million, as of December 31, 2006), related to the legal reserve that banks in Peru are required to maintain as guarantee for the deposits received from third parties. This legal reserve can be maintained in the bank's vaults or deposited in the Central Reserve Bank of Peru (BCRP).

The deposits in Peruvian new soles are subject to a minimum cash reserve of 6%. The deposits in foreign currency are subject to a minimum cash reserve calculated on a total of obligations subject to reserve in the last years and an additional cash reserve.

The minimum cash reserve does not generate interest. The additional cash reserve required in foreign currency deposited in BCRP bears interest at an annual nominal interest rate of 3.5%. In 2007, the total income arising from this interest amounted to S/.77.4 million (S/.50 million in 2006) and is included in Interest from deposits with financial institutions in the consolidated statement of income.

In addition, as of December 31, 2006 this account includes US$30.0 million for an overnight transaction in the Central Reserve Bank of Peru, which bore an effective annual interest rate of 4.9675%.

6 INVESTMENTS IN SECURITIES

As of December 31 comprise:

	2007 **S/.000**	**2006** **S/.000**
Certificates of deposits of BCRP	1,991,330	524,492
Bonds -		
- Peruvian Treasury	589,805	1,064,883
- Peru Global Treasury	90,371	67,106
- Securitized	38,587	93,115
- Euro Notes	14,980	15,980
- Chile Global	8,988	27,311
- Corporate	8,125	35,105
- México Global	-	32,828
- Subordinate	-	7,612
Mutual funds	50,746	50,757
Commercial paper	21	8,462
Other investments	683	80
	2,793,636	1,927,731
Plus: accrued interest receivable	18,656	37,291
	2,812,292	1,965,022

Bonds have been principally acquired at rates and prices prevailing in the market at the date of purchase.

The Certificates of deposits of BCRP are freely traded certificates with current maturity, acquired through public auctions at interest rates offered by financial institutions. Annual interest rates in local currency vary from 4.78% to 5.97% (from 4.72% to 5.46% in 2006), which are determined by the BCRP in each auction.

The Bank's management considers that as of December 31, 2007 and 2006, no provision is needed to be made to cover potential losses in the portfolio of investment in securities.

Global Treasury bonds correspond to bonds issued by the Government of each country to promote their capital markets and contribute to the strengthening of the economy. As of December 31, 2007, bonds bear annual yields which vary between 3.83% and 12.25% (between 4.894% and 6.263% in 2006) and have maturities until November 21, 2033.

The reconciliation between the carrying amount and the market value of the investments in securities is as follows:

	2007 **S/.000**	**2006** **S/.000**
Carrying amount, net	2,793,636	1,927,731
Unrealized gains	3,710	37,299
Unrealized losses	(6,73)	(6,532)
Estimated market value	2,796,673	1,958,498

As of December 31 the portfolio of investments in securities has been classified by the Continental Group as follows:

	2007 **S/.000**	**2006** **S/.000**
Held-for-trading financial assets	89,656	119,503
Available-for-sale financial assets	2,722,636	1,845,519
	2,812,292	1,965,022

7 LOANS

a) As of December 31 this item comprises:

	2007 S/.000	%	2006 S/.000	%
Direct credits -				
Loans	6,694,117	41	5,284,398	43
Leasing transactions	2,524,306	16	1,453,918	12
Mortgages loans	2,318,634	14	2,043,686	17
Consumer loans	1,967,800	12	1,281,060	10
Loans for foreign trade	1,705,089	11	1,533,562	12
Discounted notes	763,971	5	664,609	5
Overdrafts and advance accounts	224,615	1	172,364	1
Loans to financial institutions	129,721	1	99,056	1
Credit cards	109,758	1	96,274	1
Loans to foreign financial institutions	30,000	-	15,130	-
Credits to be settled	12,046	-	10,216	-
Factoring transactions	6,999	-	12,265	-
Other	190,056	1	305	-
Refinanced and restructured loans	134,599	1	143,955	1
Past due loans and accounts in legal collection	182,145	1	142,382	1
	16,993,856	105	12,953,180	104
Plus: accrued interest	138,500	1	114,978	1
	17,132,356	106	13,068,158	105
Less: unearned interest on discounted notes and leasing transactions	(319,816)	(2)	(154,336)	(1)
	16,812,540	104	12,913,822	104
Capitalized interest of refinanced and restructured loans	(17,221)	-	(14,108)	-
Provision for loan losses	(567,659)	(4)	(443,274)	(4)
	16,227,660	100	12,456,440	100
Indirect loans (Note 16)	3,512,648		2,611,919	

The loans are secured by guarantees granted by customers mainly comprising mortgages, performance bonds, securities and industrial and commercial liens.

Interest rates are determined by the market and can be freely established by the Bank. As of December 31, the average effective annual interest rates for the principal products were:

	2007 Loans in		2006 Loans in	
	S/. %	US$ %	S/. %	US$ %
Overdrafts	47.52	34.34	37.92	35.68
Discounted notes and commercial loans	8.84	10.50	8.66	11.04
Consumer loans	23.84	13.28	22.49	13.48

b) As of December 31, the Bank' loan portfolio risk-rating is as follows:

	2007						2006					
	Direct loans		Indirect loans		Total		Direct loans		Indirect loans		Total	
	S/.000	%	S/.000	%	S/.000	%	S/.000	%	S/.000	%	S/.000	%
Normal	15,827,219	95	3,481,857	99	19,309,076	96	12,122,433	95	2,571,795	99	14,694,228	95
With potential problems	412,405	2	18,140	1	317,064	2	289,144	2	27,920	1	317,064	2
Substandard	138,574	1	2,886	-	141,460	1	101,743	1	2,213	-	103,956	1
Doubtful	134,706	1	3,901	-	138,607	-	131,531	1	2,937	-	134,468	1
Loss	143,915	1	5,864		149,779	1	139,885	1	7,054		146,939	1
	16,656,819	100	3,512,648	100	20,169,467	100	12,784,736	100	2,611,919	100	15,396,655	100
Unearned interest on discounted notes and leasing transactions	319,816		-		319,816		154,336		-		154,336	
Capitalized interest of refinanced and restructured loans	17,221		-		17,221		14,108		-		14,108	
	16,993,856		3,512,648		20,506,504		12,953,180		2,611,919		15,565,099	

c) As of December 31 direct loans are distributed in the following sectors:

	2007		2006	
	S/.000	%	S/.000	%
Mortgage and consumer loans	4,388,966	26	3,324,746	26
Manufacturing	4,288,263	25	3,070,030	24
Commerce	2,802,792	16	2,107,012	16
Transport, storage and communications	1,104,813	6	767,246	6
Real estate	851,690	5	621,635	5
Utilities	642,392	4	618,650	4
Mining	673,899	4	531,314	4
Fishing	259,012	2	350,299	3
Other activities of community services	265,331	2	301,691	2
Agriculture and cattle raising	387,539	2	278,039	2
Construction	347,696	2	243,318	3
Hotels and restaurants	251,209	1	184,499	1
Financial institutions	171,285	1	172,858	1
Education	185,594	1	152,295	-
Social services and health	96,964	1	80,114	1
Public administration and defense	184,628	1	57,119	1
Other	91,783	1	92,315	1
	16,993,856	100	12,953,180	100

d) The changes in the provision for loan losses (direct loans) are summarized as follows:

	Specific S/.000	Generic S/.000	Total S/.000
Balances as of January 1, 2006	259,098	184,444	443,542
Provision	107,706	63,036	170,742
Recoveries and reversals	(87,530)	(24,042)	(111,572)
Write-offs	(12,146)	-	(12,146)
Sale of portfolio	(29,095)	-	(29,095)
Exchange differences and other adjustments	(13,593)	(4,604)	(18,197)
Balances as of December 31, 2006	224,440	218,834	443,274
Provision	152,614	144,498	297,112
Recoveries and reversals	(95,129)	(27,569)	(122,698)
Write-offs	(24,016)	-	(24,016)
Sale of portfolio	(13,730)	-	(13,730)
Exchange differences and other adjustments	(6,787)	(5,496)	(12,283)
Balances as of December 31, 2007	237,392	330,267	567,659

As of December 31, 2007, provisions include S/.172.1 million of voluntary provisions made by the Bank (S/.98.5 million as of December 31, 2006).

e) As of December 31 the loans have the following maturities:

	2007 S/.000	2007 %	2006 S/.000	2006 %
Up to 1 month	2,711,793	16	1,594,928	12
More than 1 month less than 3 months	2,865,700	17	3,133,726	24
More than 3 and less than 6 months	1,777,782	10	1,482,697	12
More than 6 months and less than 1 year	2,316,306	14	1,616,857	12
Over 1 year	7,278,630	42	5,097,568	39
Past due loans and accounts in legal collection	182,145	1	142,382	1
	17,132,356	100	13,068,158	100
Less: accrued interest	(138,500)		(114,978)	
	16,993,856		12,953,180	

8 PROPERTY, FURNITURE AND EQUIPMENT, NET

The movement on the Property, furniture and equipment account and its related accumulated depreciation for the year ended December 31, 2007 was as follows:

Class of assets	Opening balances S/.000	Additions S/.000	Retirements S/.000	Adjust-ments and others S/.000	Final balances S/.000
Cost -					
Land	53,201	1,342	-	(682)	53,861
Buildings and installations	407,920	17,581	(24,105)	355	401,751
Furniture and equipment	103,463	27,697	(14,331)	(144)	116,685
Vehicles	3,211	1,191	(1,012)	-	3,390
Installations and improvements in leased property	28,699	9,998	(5,557)	(61)	33,079
Work in progress and assets to be recovered	3,449	2,223	-	(29)	5,643
	599,943	60,032	(45,005)	(561)	614,409
Accumulated depreciation -					
Buildings and installations	261,577	17,820	(24,105)	524	255,816
Furniture and equipment	48,713	19,065	(14,060)	(82)	53,636
Vehicles	2,115	707	(1,007)	5	1,820
Installations and improvements in leased property	15,023	3,042	(5,542)	(34)	12,477
	327,428	40,634	(44,726)	413	323,749
Net	272,515				290,660

The movement on the Property, furniture and equipment account and its related accumulated depreciation for the year ended December 31, 2006 was as follows:

Class of assets	Opening balances S/.000	Additions S/.000	Retirements S/.000	Adjust-ments and others S/.000	Final balances S/.000
Cost -					
Land	52,914	938	(9)	(642)	53,861
Buildings and installations	396,944	19,802	(8,214)	(612)	407,920
Furniture and equipment	96,266	23,166	(18,984)	3,015	103,463
Vehicles	3,206	386	(381)	-	3,211
Installations and improvements in leased property	25,551	4,399	(16)	(1,235)	28,699
Work in progress and assets to be recovered	7,638	563	-	(4,752)	3,449
	582,519	49,254	(27,604)	(4,226)	599,943
Accumulated depreciation -					
Buildings and installations	253,304	17,804	(8,214)	(1,317)	261,577
Furniture and equipment	52,080	15,816	(18,976)	(207)	48,713
Vehicles	1,864	638	(381)	(6)	2,115
Installations and improvements Ii leased property	13,142	2,744	(12)	(851)	15,023
	320,390	37,002	(27,583)	(2,381)	327,428
Net	262,129				272,515

Banks are not allowed to pledge their fixed assets, except for those obtained though finance lease operations.

9 OTHER ASSETS AND OTHER LIABILITIES

As of December 31 these accounts comprise:

	2007 S/.000	2006 S/.000
Other assets -		
Sales tax credit pending recovery	270,381	138,207
Transactions in progress (a)	48,402	126,483
Yields receivable from derivatives	153,085	55,387
Other accounts receivable (b)	37,622	22,414
Deferred income tax and workers' profit sharing (Note 15-b)	127,232	27,570
Prepaid expenses and deferred charges	21,520	17,847
Assets seized and recovered through legal actions, net	19,473	27,723
Other assets	1,312	1,312
	679,027	414,943
Other liabilities -		
Other provisions (c)	271,408	223,929
Transactions in progress (a)	19,960	68,613
Provision for contingent credits (Note 16)	43,485	35,616
Dividends and workers' profit sharing payable (d)	36,265	30,662
Suppliers	36,661	25,618
Yields payable from derivatives	116,597	17,886
Other accounts payable	27,057	20,372
Deferred income	27,981	13,552
Other	3,709	4,534
	583,123	440,782

a) Transactions in progress are related to transactions carried out during the last days of the month, which will be transferred to their final balance sheet accounts in the following month. These transactions do not affect the Bank's income.

b) As of December 31, 2007 and 2006, Other accounts receivable is net of the provision of S/.53.2 million and S/.47.3 million, respectively.

c) As of December 31, 2007 and 2006, the Other provisions mainly include; provisions for tax, litigations, bonds for the personnel, health insurances, among others.

d) As of December 31, 2007 and 2006, includes the workers' profit sharing payable for S/.35.8 million and S/.30.4 million, respectively.

10 DEPOSITS AND OTHER OBLIGATIONS

Deposits and obligations -

a) Deposits and other obligations in U.S. dollars represent 59.6% and 60% of the total amount of the deposits as of December 31, 2007 and 2006, respectively. The deposits include accounts that have been pledged in favor of the Bank to secure credit transactions amounting to S/.108.6 million, US$151.1 million and €2.8 million as of December 31, 2007 (S/.141.7 million, US$112.9 million and €4.1 million as of December 31, 2006).

b) Interest rates applied to different deposits and obligations accounts are determined by the Bank, based on interest rates prevailing in the market. During the year, the prevailing effective annual interest rates were the following:

	2007		2006	
	Accounts in		Accounts in	
	S/.	US$	S/.	US$
	%	%	%	%
Checking accounts	0.00 - 1.75	0.00 - 0.75	0.00 - 1.75	0.00 - 0.75
Savings deposits	0.25 - 3.50	0.13 - 1.25	0.25 - 3.50	0.13 - 1.25
Time deposits and CBME	0.50 - 3.50	0.25 - 3.00	0.50 - 3.50	0.25 - 3.00
Superdeposits	2.50 - 3.25	1.25 - 1.75	2.00 - 3.25	0.75 - 1.75
Severance deposits	2.75 - 4.00	0.50 - 3.50	2.75 - 4.00	0.50 - 3.50

c) As of December 31 deposits and obligations have the following maturities:

	2007		2006	
	S/.000	%	S/.000	%
Due within 1 month	6,052,478	35	4,647,460	33
More than 1 and less than 3 months	3,864,078	22	3,913,679	27
More than 3 and less than 6 months	1,530,252	9	1,234,430	9
More than 6 months and less than 1 year	1,047,479	6	911,077	6
Over 1 year	4,733,680	28	3,625,456	25
	17,227,967	100	14,332,102	100

Inter-bank funds -

As of December 31 2006 this item comprises:

	S/.000
Banco de Crédito del Perú	80,000
Scotiabank (former Banco Wiese)	63,900
Citibank N.A., Sucursal en el Perú	47,000
Banco Internacional del Perú	30,000
HSBC	23,000
Banco Interamericano de Finanzas	22,000
Banco Financiero del Perú	17,000
Other smaller	29,115
	312,015

Inter-bank funds as of December 31, 2006 were offset during January 2007.

11 DUE TO BANKS AND CORRESPONDENTS

As of December 31 this account comprises:

	2007 S/.000	2006 S/.000
Corporación Financiera de Desarrollo – COFIDE	405,958	360,174
Programa Mi Vivienda	351,870	351,560
Foreign financial institutions	1,087,850	34,385
Internacional financial corporations		
Corporación Andina de Fomento - CAF	299,600	159,800
Corporación Interamericana de Inversiones - CII	119,840	127,840
International Finance Corporation - IFC	838,880	159,800
Banco Interamericano de Desarrollo – BID	674,100	207,740
Banco Latinoamericano de Desarrollo - BLADEX	314,580	-
	2,247,000	655,180
Accrued interest payable	49,193	10,416
	4,141,871	1,411,715

- **Corporación Financiera de Desarrollo - COFIDE**

Loans obtained in foreign currency totaling US$135.5 million intended for working capital falling due from January to March 2008 and bearing interest rates ranging from 5.569% to 7.01%.

- **Programa Mi Vivienda -**

Resources obtained from Corporacion Financiera de Desarrollo - COFIDE for the social housing program “Mi Vivienda” in local currency amount to S/. 296 million and foreign currency amount to US$19 million. These loans have diverse maturities until December 2025 and bear an annual effective interest rate in U.S. dollars of 7.75% and in local currency of 6.5% on the principal plus the constant updating value (VAC, Spanish acronym) factor.

These loans are secured with a loan portfolio amounting to approximately S/.312 million (S/.335 million in 2006). Loans include specific arrangements on how such proceeds should be used, certain covenants to be complied with by the debtor and other administrative matters.

- **Foreign financial institutions -**

As of December 31, 2007, this balance amounts to US$363.1 million mainly of current maturity and bearing interests at market rates ranging from 5.27% to 6.3%. As of December 31, 2006, the balance relates to an overdraft with BBVA New York for US$10.8 million.

- **International financing organizations -**

Debts with international financing organizations in foreign currency amount to US$750 million, bearing interests at international market rates, ranging from 5.1% to 6.7% (5.4% and 6.6% in 2006) and do not have any specific guarantees. As of December 31, 2007 balances outstanding are:

Name of creditor	Balance as of December 31, 2007		Maturities
	US$000	S/.000	
Internacional Finance Corporation - IFC	30,000	89,880	December 2012
	60,000	179,760	December 2018
	75,000	224,700	December 2009
	115,000	344,540	December 2012
Corporación Andina de Fomento -CAF	100,000	299,600	February 2008
Banco Latinoamericano de Exportación - BLADEX	105,000	314,580	From January to April 2008
Corporación Interamericana de Inversiones - CII	40,000	119,840	May 2011
Banco Interamericano de Desarrollo - BID	195,000	584,220	From February 2012 to February 2014
	30,000	89,880	February 2017
	750,000	2,247,000	

Loan agreements signed with COFIDE and with other financial organizations contain certain financial ratio covenants and other specific organizations, which the Bank's management considers it has fully complied with.

Due to banks and correspondents have the following maturities:

	2007	2006
	S/.000	S/.000
Due within 1 month	392,422	123,275
From 1 month to 3 months	1,462,444	354,806
From 3 months to 6 months	185,070	86,075
From 6 months to 1 year	138,188	9,641
Over 1 year	1,963,747	837,918
	4,141,871	1,411,715

12 SECURITIES AND OBLIGATIONS OUTSTANDING

As of December 31 securities outstanding are as follows:

	2007	2006
	S/.000	S/.000
Corporate Bonds	504,843	355,819
Subordinate Bonds	264,409	-
Accrued expenses payable	8,913	4,272
	778,165	360,091

As of December 31, 2007 bonds outstanding are itemized as follows:

Program	Authorized amount	Issue	Series	Currency	Amount disbursed	Balance as December 31, 2007 S/.000	Maturity date
Corporate bonds							
First	US$ 50 million	First	One-time	US$	40,000	119,531	April 2009
Second	US$ 50 million or S/.160 million	First	A	S/.	70,000	70,000	October 2012
		First	B	S/.	23,000	23,000	March 2013
		First	C	S/.	30,000	30,000	April 2013
		First	D	S/.	17,000	17,000	May 2013
		Second	A	S/.	20,000	20,000	January 2011
Third	US$100 million or S/.315 million	First	A	S/.	40,000	40,000	December 2012
		Second	A	S/.	40,000	40,000	March 2012
		Third	A	US$	9,969	29,867	September 2012
		Fourth	A	US$	8,533	25,565	September 2014
		Sixth	A	US$	30,000	89,880	October 2012
						504,843	
Subordinated bonds							
First	US$50 million or S/.158.30 million	First	A	S/.	40,000	39,713	May 2022
		Second	A	US$	20,000	59,738	May 2027
		Third	A	S/.	55,000	55,202	June 2032
Second	US$100 million	First	A	US$	20,000	59,739	September 2017
		Second	A	S/.	50,000	50,017	November 2032
						264,409	

Corporate bonds do not have specific guarantees and bear interest at annual nominal rates ranging from 4.50% to 7.94% (from 3% to 7.94% in 2006)

Subordinated bonds have been issued in compliance with the General Law and bear interest at annual rates ranging from 5.85% to VAC (inflation linked index) plus 3.56% for local and foreign currency and from 6% to 1.156% plus Libor in foreign currency.

13 NET SHAREHOLDERS' EQUITY

a) Capital -

As of December 31, 2007 and 2006, the authorized, subscribed and paid-in capital, in accordance with the Bank's by-laws as amended, comprises 852,895,887 common shares outstanding with a nominal value of S/.1 each one.

As of December 31, 2007 and 2006 the Bank's quoted share market value was S/.9.40 and S/.7.15 per share, respectively, with a negotiation frequency of 100% in both years.

The number of shareholders and the capital stock structure is as follows:

Percentage of individual interest %	Number of shareholders	Total interest %
Up to 1	9,316	4.80
From 1.01 to 5	2	3.12
From 80.01 to 100	1	92.08
	9,319	100.00

b) Legal / Voluntary reserve

In accordance with the General Law, the Bank is required to appropriate not less than 10% of the annual net income until the reserve reaches not less than 35% of its paid-in capital. This reserve is made up from the annual appropriation of not less than 10% of annual net profit.

The voluntary reserve has been made from an appropriation of retained earnings and is considered of free disposition.

c) Retained earnings -

In the General Shareholders' Meetings dated March 30, 2007 and March 37, 2006, the distribution of cash dividends was approved for S/.390.5 million and S/.281.5 million, respectively.

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

14 WORKERS' PROFIT SHARING

In accordance with Legislative Decree No.677, the workers' profit sharing is 5% of the taxable income. This profit sharing is considered a deductible expense for income tax purposes.

In 2007 and 2006, the Bank has recorded workers' profit sharing for S/.35.8 million and S/.30.4 million, respectively.

15 TAX SITUATION

a) Income tax –

In accordance with current tax legislation the determination of taxes on a consolidated basis is not allowed. The Bank and its subsidiaries have calculated their tax obligations on an individual basis.

Management considers that the taxable income under the general regime of income tax has been determined in accordance with tax laws currently in force by adding to and deducting from the result, shown in the financial statements, those items considered as taxable and non-taxable, respectively. The income tax rate for 2007 and 2006 is 30%.

In 2007 and 2006, the income tax in the consolidated statement of income includes substantially the income tax recorded by the Bank of S/.248 million and S/.208 million, respectively.

b) Deferred income tax is recorded under the liability method based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, which are as follows:

	2007 S/.000	2006 S/.000
Assets –		
Generic provision for loans	97,381	-
Provision for contingent loans – generic	8,616	-
Provision for asset seized	2,058	12,271
Assets related to leasing contracts	745	2,997
Provision for contingent credits – specific	521	1,591
Provision for suppliers	503	7,685
Non-performing interests	-	4,089
	131,957	30,991
Liability –		
Net cost – Leasing contracts	944	2,359
Other	872	-
Leveling of assets and liabilities	2,909	3,062
	4,725	5,421
Deferred income tax asset, net	127,232	25,570
Deferred income tax recognized:		
Deferred income tax at beginning of year	25,570	15,890
Credit to equity (Note 2-m)	73,362	-
Credit to results of the year	28,300	9,680
Deferred income tax asset at end of year	127,232	25,570

c) Peruvian tax authorities have the right to examine, and, if necessary, amend the income tax determined by the Bank in the last four years, as from the date the tax returns have been filed (years subject to examination). Because of the differences that may arise in the interpretation by the tax authorities of the regulations applied to the Continental Group, it is not presently possible to estimate if any additional tax liabilities will arise as a result of eventual examinations. Any additional tax, fines and interest, if arising, will be recognized in the results of the period when such differences are resolved. The Bank's Management considers that no significant liabilities will arise as a result of these possible tax examinations.

Years subject to examination for the Continental Group are as follows:

Companies	Years examined	Years subject to examination
Banco Continental S.A.	2000 - 2005	2006 through 2007
Continental Bolsa Sociedad Agente de Bolsa S.A.	-	2003 through 2007
Continental S.A. Sociedad Administradora de Fondos	-	2003 through 2007
Continental Sociedad Titulizadora S.A.	-	2003 through 2007
Inmuebles y Recuperaciones Continental S.A.	-	2003 through 2007

For the fiscal years which have been examined by the Tax authorities the Bank has received tax assessments, for which the Bank has filed the respective claims. The Bank's Management considers that the provisions made by the Bank are sufficient to cover any liability arising from these tax liabilities.

d) As established under regulations in force, for purposes of determining income tax and general sales tax, transfer pricing among related and non-related parties should have adequate supporting documentation as well as information supporting the methods and valuation criteria used. Peruvian tax authorities are entitled to request such information from the taxpayer.

e) Temporary tax on Net Assets -

A temporary tax on net assets came into effect as from January 1, 2005, affecting third-category (corporate) income earners subject to the General regime of Income Tax. Effective 2008, the tax rate is 0.5% applicable to the amount of net assets exceeding S/.1 million.

The amount effectively paid may be used as a fiscal credit against income tax on-account payments or against the regularization payment of the income tax applicable to the related fiscal period.

16 CONTINGENT AND OFF-BALANCE SHEET ACCOUNTS

As of December 31 this item comprises:

	2007 S/.000	2006 S/.000
Contingent transactions -		
Indirect loans:		
• Guarantees and performance bonds	2,804,366	2,176,805
• Letters of credit and bank acceptances	708,282	435,114
Financial instruments	8,754,322	2,900,685
Lines of credit approved and not disbursed	1,648,627	1,015,194
Off-balance sheet accounts -		
Guarantees received for loans given	16,587,707	14,111,101
Assets and credits weighted by risk	20,830,985	15,875,547
Securities and assets in custody	11,577,591	8,691,311
Own securities and assets in custody	3,328,599	2,859,816
Securities received as collection	67,457,654	1,007,727
Letters of credit under notice	415,819	509,201
Securities and goods in guarantee	306,972	349,993
Interest on loans in suspense	133,039	130,031
Loans written-off	234,733	205,841
Consignments received	1,453	2,229
Securities in custody in CAVALI and first issues of customers	5,704,644	4,037,544
Other debtors	2,726,284	2,080,061
Other creditors	6,108,565	2,289,661
Trusts and administrations	5,178,289	3,571,879

a) Indirect loans -

The Continental Group makes, in the normal course of its business, contingent transactions which expose it to credit risks in addition to the amounts recognized in the consolidated balance sheet.

Credit risk for contingent transactions is defined as the possibility of incurring a loss because any party of a contingent transaction fails to comply with the terms of the contract. The Continental Group's exposure to credit losses by commitments to extend letters of credit is represented by the contractual amount of these instruments. Since many of the contingent transactions are expected to expire without being called upon, the total amounts of commitments do not necessarily represent future cash requirements.

Letters of credits, guarantees and performance bonds are conditional commitments issued by the Continental Group to guarantee payment on behalf of its customer to a third party. Letters of credit are primarily issued as credit enhancements for overseas commercial transactions. Risks associated with these credits are mitigated by the participation of third parties.

The Continental Group's management considers that no significant loss will arise from its existing contingent transactions.

The changes in the provision for contingent transactions (indirect loans) included in Other liabilities of the consolidated balance sheet are shown as follows:

	Specific S/.000	Generic S/.000	Total S/.000
Balances as of January 1, 2006	11,457	19,190	30,647
Provision	2,367	16,605	18,972
Recoveries and reversals	(3,093)	(9,052)	(12,145)
Other	(757)	(1,101)	(1,858)
Balances as of December 31, 2006	9,974	25,642	35,616
Provision	3,173	14,487	17,660
Recoveries and reversals	(3,415)	(3,781)	(7,196)
Other	(962)	(1,633)	(2,327)
Balances as of December 31, 2007	8,770	34,715	43,485

b) Derivatives financial Instruments -

The Bank has mainly effective commitments for the purchase and sale of foreign exchange forwards (forwards) and interest rate swaps (IRS).

Forward foreign exchange contracts are agreements for the future delivery of money market instruments in which the seller agrees to make delivery at a specific future date of an instrument and at a specified price. Interest rates swaps are agreements by which a variable interest rate is agreed to be exchanged for a floating interest rate after an agreed period of time; IRS's are regulated by Internacional Swaps and Derivates Association, Inc. Risk arises from the possible inability of the counterparty to meet the terms of the contracts and from fluctuations in exchange rates.

As of December 31, 2007, the reference amounts of the outstanding purchase forward contracts are US$1,490.6 million, ¥1,801.3 million and €80.7 million and sales forward contracts are US$1,466.1 million, ¥1,801.3 million and €2.5 million, which have maturities for periods extending no more than September 2009 (US$298.9 million, ¥971.3 million and €37.6 million for purchase and US$476.8 million, ¥971.2 million and €7.1 million for sales, as of December 31, 2006). Also, as of December 31, 2007, the nominal amount of the IRS contracts currently effective was US$601 million (US$242 million as of December 31, 2006).

The account Intereset receivable and payable on transactions with derivative instruments, included in Other assets and Other liabilities of the consolidated balance sheet, respectively, comprise the accrued interest from fluctuations in the valuation of foreign currency forward contracts and interest rate swap contracts.

c) Lawsuits -

As of December 31, 2007, the Bank has several lawsuits currently in process relating to its activities, which, in the opinion of the management and its legal counsel, will not give rise to significant liabilities. Consequently, Management has not considered it necessary to make a provision additional to that recorded for these contingencies in Other liabilities in the balance sheet of S/.15.1 million and S/.11.1 million in 2007 and 2006, respectively.

d) Guarantees received for loans given -

The balance of the account Guarantees received for loans given is recorded at the value agreed at the date of the loan contract. This balance does not necessarily represent the fair value of the collateral maintained by the Continental Group.

e) Trust and administrations -

Continental Group provides services of management of funds to third parties, which involves Continental Group in selecting and deciding on the purchase and sale of investments on behalf of third parties. The assets maintained under this fiduciary relationship are not included in the consolidated financial statements.

As of December 31, 2007, the net equity of mutual funds of investments in securities and securitization trusts managed by Continental Group amounts to approximately S/.2,856 million and S/.442 million, respectively (S/.1,818 million and S/.586 million, respectively, as of December 31, 2006).

17 OTHER INCOME FROM VARIOUS FINANCIAL SERVICES

Other income from various financial services for the years ended as of December 31, 2007 and 2006 comprise commissions for renewal of credit and debit cards, maintenance on-demand and savings deposits, collections, transfers, money orders, transactions with on-demand deposits and transactions with checks of other banks, financial advisory services and other services related to credit and intermediary transactions.

18 PERSONNEL AND BOARD OF DIRECTORS' EXPENSES

Personnel and Board of Directors' expenses for the years ended December 31 comprise:

	2007	2006
	S/.000	S/.000
Salaries	121,858	105,750
Bonuses	99,631	89,835
Social contributions and other	31,221	28,390
Employees' severance indemnities	15,723	13,899
Vacations	9,567	8,504
Other	11,220	11,721
	289,220	258,099

19 GENERAL EXPENSES

General expenses for the years ended December 31, 2007 and 2006 mainly comprise interval, expenses related to fees for information technology services, transport of money, taxes, advertising and promotions, insurance, general services expenses and security.

20 OTHER INCOME NET

Other income for the years ended December 31 comprises:

	2007 S/.000	2006 S/.000
Income -		
Recovery of prior-year provisions	62,455	52,355
Discounts received from BVL	1,457	1,604
Participation in life insurance premiums for loans	5,230	2,804
Income from recovery of financial instruments	2,906	2,439
Transfer of loan portfolio	441	3,107
	72,489	62,309
Expenses -		
Loss from sale of assets seized and recovered through legal actions and unused assets	6,547	6,864
Uninsured losses	695	782
Administrative penalties	173	231
Other expenses, net	18,929	4,113
	26,344	11,990
Other income, net	46,145	50,319

21 TRANSACTIONS WITH RELATED PARTIES

During 2007 and 2006, the Continental Group has granted loans, provided and requested bank services, correspondent services and other transactions with related parties and subsidiaries, the carrying amounts of which as of December 31 are detailed as follows:

	2007 S/.000	2006 S/.000
Assets -		
Cash and due from banks	21,787	69,174
Loans	695	2,160
Liabilities -		
Deposits and obligations	16,827	13,501
Contingent	3,058,196	1,683,188

All transactions between the Continental Group and related parties were made on terms no more favorable than would have been offered to third parties.

The transactions with affiliated companies included in the statement of income for the year ended December 31 are summarized as follows:

	2007 S/.000	2006 S/.000
Financial income	767	557
Financial expenses	492	836
Other expenses, net	(22,110)	(22,761)

Loans to personnel –

As of December 31, 2007 and 2006, certain of the Bank's directors, officials and employees maintain borrowings with the bank as permitted under the General Law, by which certain limits have been established for loan transactions with directors, officials and employees of the banks in Peru. As of December 31, 2007 and 2006, direct loans to employees, directors , officials and key personnel amount to S/.101 million and S/.84.7 million, respectively.

In addition, as of December 31, 2007, salaries paid to key management and fees to board members totaled S/.6.9 million.

22 EARNINGS PER SHARE

The net earnings per share are calculated by dividing the net income for the year by the weighted-average number of the shares outstanding at the date of the balance sheet.

The movement on common shares outstanding was as follows:

		Quantity of shares	
		2007 In millions	2006 In millions
Outstanding at beginning of year		852.9	852.9
Outstanding at end of year		852.9	852.9
Net profit for the year (in thousand of Peruvian new soles)		591,981	486,768
Basic and diluted earnings per share	S/.	0.69	0.57

Banco Continental S.A. and Subsidiaries

Report on Review of Interim Condensed Consolidated Financial Information

As of June 30, 2010 and for the three-month and six-month periods ended June 30, 2010 and 2009

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REPORT ON REVIEW CONDENSED CONSOLIDATED FINANCIAL INFORMATION

To the Shareholder´s and Board of Directors of
Banco Continental S.A.

Introduction

1. We have reviewed the accompanying interim condensed consolidated financial information of Banco Continental and Subsidiaries, which comprise the condensed consolidated balance sheet as of June 30, 2010 and the related condensed consolidated statements of income for the three-month and six-month periods ended June 30, 2010 and 2009, changes in shareholders´ equity and cash flows for the six-month periods ended June 30, 2010 and 2009. Management is responsible for the preparation and fair presentation of this interim condensed consolidated financial information in accordance with generally accepted accounting principles in Peru for financial entities. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

2. We conducted our review in accordance with International Standard on review engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Auditing Standards Generally Accepted in Peru and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

3. Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with generally accepted accounting principles in Peru for financial entities.

Other matters

4. We have previously audited, in accordance with auditing standards generally accepted in Peru, the consolidated financial statements of Banco Continental S.A. and its subsidiaries, which for comparative purposes the balance sheet and corresponding notes are presented as of December 31, 2009. Our report, dated February 9, 2010, expressed an unqualified opinion on those consolidated financial statements.

Beltrán, Gris y Asociados S. Civil de R.L.

Countersigned by:

________________________(Partner)
Eduardo Gris Percovich
CPC Register No. 12159

August 31, 2010

BANCO CONTINENTAL S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2010 (UNAUDITED) AND DECEMBER 31, 2009 (AUDITED)

ASSETS	Notes	2010 S/.000	2009 S/.000
CASH AND DUE FROM BANKS:	3	4,183,101	4,867,209
INTER-BANK FUNDS		-	49,003
INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS, AVAILABLE-FOR-SALE AND HELD TO MATURITY, net	4	4,243,627	3,923,508
LOANS, net	5	21,753,645	19,797,656
INVESTMENTS IN ASSOCIATED COMPANIES		1,738	1,908
PROPERTY, FURNITURE AND EQUIPMENT, net	6	389,347	388,674
OTHER ASSETS	7	952,897	1,028,992
TOTAL ASSETS		31,524,355	30,056,950
CONTINGENT AND OFF-BALANCE SHEET ACCOUNTS	16		
Contingent accounts		23,347,106	19,815,202
Off-balance sheet accounts		102,891,370	96,289,741
Total		126,238,476	116,104,943

LIABILITIES AND SHAREHOLDERS' EQUITY
OBLIGATIONS TO THE PUBLIC AND DEPOSITS OF FINANCIAL INSTITUTIONS
INTER-BANK FUNDS
DUE TO BANKS AND CORRESPONDENTS
SECURITIES, BONDS AND OUTSTANDING OBLIGATIO
OTHER LIABILITIES
TOTAL LIABILITIES
SHAREHOLDERS' EQUITY:
Capital stock
Special reserve
Legal reserve
Retained earnings
Total
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY
CONTINGENT AND OFF-BALANCE SHEET ACCOUNTS
Contingent accounts
Off-balance sheet accounts
Total

The accompanying notes are an integral part of these consolidated financial statements.

BANCO CONTINENTAL S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2010 AND 2009

	Notes	For the Specific Three-Month Period from April 1 to June 30, 2010	For the Specific Three-Month Period from April 1 to June 30, 2009	For t Accumu Period January June 30,
		S/.000	S/.000	S/.00
Financial income	17	566,166	798,599	1,2
Financial expenses	18	(97,107)	(190,722)	(2
Gross financial margin		469,059	607,877	9
Provisions for impairment of loan losses		(63,340)	(109,848)	(
Net Financial margin		405,719	498,029	8
Income from financial services	19	136,373	114,632	2
Operating profit margin		542,092	612,661	1,0
Administrative expenses	20	(197,353)	(180,947)	(3
Other income and expenses, net		(17,878)	(12,102)	
Total		(215,231)	(193,049)	(4
Income before workers´ profit sharing and Income Tax		326,861	419,612	6
Workers' profit sharing and Income Tax		(87,539)	(131,791)	(
Net income		239,322	287,821	4
Weighted average number of outstanding shares (in thousands of shares)		1,843,427	1,471,243	1,8
Basic and diluted earning per share in Peruvian nuevos soles	14	0.13	0.20	

The accompanying notes are an integral part of these consolidated financial statements.

BANCO CONTINENTAL S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2010 AND 2009

	Capital Stock S/.000 (Note 12)	Special Reserve S/.000 (Note 12)	Legal Reserve S/.000 (Note 12)	Reta Earn S/.0
Balances as of January 1, 2009	1,109,301	59,324	343,478	72
Capitalization of reserves and retained earnings	361,942	(59,325)	-	(30
Transfer of retained earnings to legal reserve		-	72,411	(7
Cash dividends		-	-	(36
Other	-	1,181	-	
Unrealized gains for available-for-sale investments		-	-	6
Net income for the period		-	-	51
Balances as of June 30, 2009	1,471,243	1,180	415,889	57
Balances as of January 1, 2010	1,471,243	1,180	415,889	1,00
Capitalization of reserves	1,180	(1,180)	-	
Capitalization of retained earnings	371,004	-	-	(37
Transfer of retained earnings to legal reserve	-	-	92,751	(9
Cash dividends	-	-	-	(46
Unrealized losses for available-for-sale investments	-	-	-	(4
Net income for the period	-	-	-	46
Balances as of June 30, 2010	1,843,427	-	508,640	49

The accompanying notes are an integral part of these consolidated financial statements.

BANCO CONTINENTAL S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2010 AND 2009

	2010 S/.000	2009 S/.000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	465,341	519,608
Adjustments to reconcile net income to cash provided by operating activities:		
Provisions for loan losses, net of recoveries	142,835	157,194
Depreciation and amortization	23,582	24,167
Provisions for seized assets, net of recoveries	1,566	1,621
Provisions for accounts receivable	25,461	22,008
Other provisions, net of recoveries	21,988	17,890
Deferred income tax and worker's profit sharing	(11,551)	(18,876)
Net gain from sale of securities	4,197	(24)
Net loss on sales of fixed assets and seized assets	80	741
Changes in assets and liabilities:		
Net increase in other assets	49,956	248,048
Net decrease in other liabilities	(48,592)	(334,506)
Cash and cash equivalents provided by operating activities	674,863	637,871
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property, furniture and equipment	(25,018)	(11,323)
Gain on sales of assets seized and recovered through legal actions	11,346	5,963
Cash and cash equivalents used in investing activities	(13,672)	(5,360)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in deposits and other obligations and inter-bank funds	416,167	1,538,601
Net increase (decrease) in due to banks and correspondents	1,143,515	(4,315,803)
Net decrease in securities, bonds and outstanding obligations	(21,019)	(93,596)
Net (increase) decrease in loan portfolio	(2,098,824)	185,259
Net (increase) decrease in investments	(370,644)	697,229
Cash dividends	(463,497)	(362,793)
Other	-	1,180
Cash and cash equivalents used in financing activities	(1,394,302)	(2,349,923)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(733,111)	(1,717,412)
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 PERIOD	4,183,101	5,246,664

The accompanying notes are an integral part of these consolidated financial statements.

1. BANK´S IDENTIFICATION AND ITS BUSINESS 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, Insurance and Private Pension Fund Administrators of Peru (hereinafter, the SBS for its Spanish acronym) and domiciled in Peru. The Bank´s main office legal address is Av. República de Panamá No. 3055 San Isidro, Lima.

As of June 30, 2010, and December 31, 2009, the Bank owns the following percentages of the equity participation, (direct or indirect) of the following entities:

		Percentage of participation	
Entity	Activity	Capital stock	Voting Rights
		%	%
Continental Bolsa - Sociedad Agente de Bolsa S.A.	Brokerage activities	100	100
Continental S.A. Sociedad Administradora de Fondos	Mutual fund management	100	100
Continental Sociedad Titulizadora S.A.	Asset securitization entity	100	100
Inmuebles y Recuperaciones Continental S.A.	Real estate and recoveries	100	100
Continental DPR Finance Company	Special purpose entity	-	-

Business Activity

The Bank´s operations primarily include financial intermediation, which consists of universal banking activities regulated by SBS in accordance with the 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 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 performed its activities through a national network of 239 offices as of June 30, 2010 (243 as of December 31, 2009). The total number of employees of the Bank and its subsidiaries as of June 30, 2010 and December 31, 2009 was 4,482 and 4,376, respectively.

Consolidated subsidiaries

The consolidated financial statements include the financial statements of the Bank and its subsidiaries (hereinafter, Grupo Continental).

The subsidiaries' principal balances as of June 30, 2010 and December 31, 2009, are presented below:

	In million of Peruvian nuevos soles					
	Assets		Liabilities		Equity	
Entity	2010	2009	2010	2009	2010	2009
Banco Continental S.A.	31,536	30,047	28,692	27,159	2,844	2,888
Continental Bolsa - Sociedad Agente de Bolsa S.A.	30	35	13	17	17	18
Continental S.A. - Sociedad Administradora de Fondos	35	29	6	4	29	25
Continental Sociedad Titulizadora S.A.	2	2	-	-	2	2
Inmuebles y Recuperaciones Continental S.A.	32	24	17	17	15	7
Continental DPR Finance Company	1,292	733	1,292	733	-	-

As of June 30,2010, Continental DPR Finance Company's assets and liabilities include a private agreement related to a securitization of remittances for a total amount of US$200 million (Note 16).

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting principles and practices used in the preparation of Grupo Continental´s interim condensed consolidated financial statements as of June 30, 2010 remain unchanged from those stated in the audited report issued on February 9, 2010 by Beltran, Gris & Asociados, member firm of Deloitte for the periods ended December 31, 2009 and 2008.

3. CASH AND DUE FROM BANKS

As of June 30, 2010, cash and due from banks included approximately US$1,055 million and S/.564.9 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 the Bank's vaults and in the Peruvian Central Bank (BCRP, for its Spanish acronym).

The minimum legal reserve requirement for local and foreign currency deposits collected from the public was 6% as of June 30, 2010. Foreign currency deposits were subject to a legal reserve requirement which have been calculated based on information as of March 2010. Effective since January 2009, foreign currency deposits were subject to a 30% marginal rate. Amounts due to foreign financial institutions and international financial organizations with an average term of less than two years were subject to a 35% special rate as of June 30, 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 June 30, 2010, interest income on reserves amounted to S/.2.4 million (S/.3.4 million as of June 30, 2009), and were included in financial income item in the statements of income. These funds are garnishable.

Cash and due from banks as of June 30, 2010 included funds subject to restriction for S/.6 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 included S/.228 million relating to an overnight operation deposited in the BCRP with a maturity date of January 4, 2010.

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

The balances as of June 30, 2010 and December 31, 2009, were as follows:

	2010 S/.000	2009 S/.000
Bonds		
Peruvian Treasury	1,525,285	1,364,571
Peruvian Global Treasury	319,761	471,053
Asset Backed Securities	9,891	10,032
Corporate	8,570	8,789
Repurchase agreements (Repos)	14,002	-
BCRP certificates of deposits	2,291,732	2,022,131
Participation in mutual funds	27,207	23,910
Other investments	47,179	23,022
Total	4,243,627	3,923,508

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, 2010, annual interest rates on domestic currency ranged between 1.73% and 2.01% (between 1.20% and 1.29% as of December 31, 2009) with maturities through September, 2010.

Bonds have been mainly acquired at market rates and prices as of the purchase date. As of June 30, 2010, Peruvian Treasury bonds in domestic currency accrued annual interest at rates between 1.52% and 7.11% (between 1.02% and 6.26% as of December 31, 2009) and in foreign currency at rates between 3.80% and 4.67% (between 4.35% and 5.24% as of December 31, 2009), with maturities through February 2042.

As of June 30, 2010, and December 31, 2009, mutual fund investments corresponded to participation quotas held by Grupo Continental with various mutual funds managed by Continental Fondos S.A. Sociedad Administradora de Fondos.

In addition, as of June 30, 2010, other investments included Lima Stock Exchange listed securities of S/.13.3 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.

The management of Grupo Continental is of the opinion that the recorded provision is sufficient to cover potential losses in its securities investment portfolio.

As of June 30, 2010 and December 31, 2009, investments in securities were classified by Grupo Continental as follows:

	2010	2009
	S/.000	S/.000
Investments at fair value through profit and loss	809,802	147,839
Available-for-sale investments (Note 12 (c))	3,013,672	3,358,039
Held to maturity investments	420,153	417,630
Total	4,243,627	3,923,508

5. LOANS, NET

a) The balances as of June 30, 2010, and December, 2009, were as follows:

	2010 S/.000	%	2009 S/.000	%
Direct credits				
Loans	8,964,418	41	8,140,799	41
Mortgage loans	4,226,526	19	3,819,087	19
Leasing transactions	3,458,866	16	3,524,291	18
Consumer loans	1,967,798	9	1,956,460	10
Loans for foreign trade	1,916,998	9	1,284,922	6
Discounted notes	726,837	3	712,859	4
Overdrafts and advance accounts	497,873	2	257,319	1
Loans to financial and insurance companies	150,179	1	235,756	1
Credit cards	78,277	-	90,058	1
Loans to foreign financial institutions	87,667	-	89,500	1
Factoring transactions	1,544	-	30,244	-
Credits to be settled	6,602	-	8,645	-
Other	331,295	2	349,679	2
Refinanced and restructured loans	333,439	2	282,683	1
Past due accounts and in legal collection	266,303	1	217,387	1
	23,014,622	105	20,999,689	106
Plus:				
Accrued interest	131,848	1	144,731	1
Less:	23,146,470	106	21,144,420	107
Unearned interest from leasing transactions	(415,333)	(2)	(449,299)	(2)
	22,731,137	104	20,695,121	105
Deferred income from loans	(21,332)	-	(25,328)	(1)
Provision for loan losses	(956,160)	(4)	(872,137)	(4)
	21,753,645	100	19,797,656	100
Indirect loans	6,496,128		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/.13,200 million and S/.12,314 million, as of June 30, 2010 and December 31, 2009, respectively.

As of June 30, 2010, a debt with Fondo Mi Vivienda - Mi Hogar was secured by a loan portfolio up to S/.151.5 million (S/.116.4 million as of December 31, 2009) (Note 10).

As of June 30, 2010 and December 31, 2009 the annual effective weighted average rates for the main products were as follows:

	2010		2009	
	S/.	US$	S/.	US$
	%	%	%	%
Overdrafts	48.37	35.30	47.68	34.91
Discounted notes and commercial loans	7.10	7.28	7.61	7.99
Consumer loans	22.67	17.70	23.85	17.46

b) Banking companies established in Peru should provide allowances for loans which are based on the debtor's risk categories and using the percentages provided below:

Normal Category

Loans	Fixed Component	Variable Component (Procyclical)
Commercial loans	0.70%	0.45%
Commercial loans with customer deposit guarantees	0.70%	0.30%
Micro and small business loans (MES)	1.00%	0.50%
Non-revolving consumer loans	1.00%	1.00%
Non-revolving consumer loans under eligible agreements	1.00%	0.30%
Revolving consumer loans	1.00%	1.50%
Mortgage loans	0.70%	0.40%
Mortgage loans with customer deposit guarantees	0.70%	0.30%

As of June 30, 2010 and December 31, 2009, the variable procyclical component was disabled (Multiple office No. 40755-2009-SBS effective date from September 1, 2009).

Other categories and by type of collateral

Risk Category	No Guarantee	Preferred Guarantee	Preferred Guarantee with Fast realization
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%

c) As of June 30, 2010 and December 31, 2009, the loan portfolio was distributed in the following economic sectors:

	2010		2009	
	S/.000	%	S/.000	%
Mortgage and consumer loans	6,340,445	28	5,907,888	28
Manufacturing	4,642,358	20	4,011,779	19
Commerce	3,696,565	16	3,323,714	16
Transport, storage and communications	2,108,369	9	1,666,020	8
Real estate	1,270,627	6	1,300,817	6
Utilities	679,753	3	740,298	3
Mining	637,530	3	643,093	3
Financial and insurance institutions	515,481	2	620,654	3
Agriculture and livestock	556,839	2	557,667	3
Construction	547,119	2	502,596	2
Hotels and restaurants	456,364	2	456,199	2
Education	344,110	1	337,750	2
Other activities for community services	479,072	2	262,604	1
Fishing	292,142	1	213,666	1
Public administration and defense	179,922	1	213,446	1
Social and health services	139,159	1	124,053	1
Other	128,767	1	117,445	1
Total	23,014,622	100	20,999,689	100

d) The change in the allowance for loan losses, as of June 30,2010 and December 31, 2009, is shown below:

	2010	2009
	S/.000	S/.000
Balances as of January 1	872,137	767,371
Provision	262,902	514,833
Recoveries and reversals	(112,636)	(171,545)
Write-offs	(21,034)	(31,637)
Sale of portfolio	(38,844)	(185,674)
Foreign exchange differences and other adjustments	(6,365)	(21,211)
	956,160	872,137

Management considers that the level of allowance for loan losses is adequate to cover potential losses in the portfolio as of the balance sheet date. As of June 30, 2010 the generic provision of loan portfolio was S/.562.9 million (S/.532.4 million as of December 31, 2009, which included procyclical provisions of S/.96.5 million).

During 2010 Grupo Continental entered into agreements for the sale of rights over loans in legal collection (principal amounts) of approximately S/.91.4 million (S/.286 million as of December 31, 2009). Proceeds from these sales of S/.3.85 million (S/.3.66 million as of June 30, 2009) were recognized as other income and expenses, net in the consolidated statements of income.

6. PROPERTY, FURNITURE AND EQUIPMENT, NET

The change in cost and accumulated depreciation of property, furniture and equipment as of June 30, 2010 were as follows:

	Beginning Balances S/.000	Additions S/.000	Disposals S/.000	Adjustments or other S/.000	Ending Balances S/.000
Cost:					
Land	55,378	7,248	-	8,304	70,930
Buildings and installations	413,529	5,341	(235)	2,858	421,493
Furniture and equipment	141,439	9,990	(3,904)	20,195	167,720
Vehicles	4,560	-	-	-	4,560
Installations and improvements in leased property	52,651	1,621	(53)	6,551	60,770
Work in progress	33,314	1	-	(26,867)	6,448
Units to receive	33,667	817	-	(11,861)	22,623
Total	734,538	25,018	(4,192)	(820)	754,544
Accumulated depreciation:					
Buildings and installations	260,071	9,695	(236)	(826)	268,704
Furniture and equipment	71,870	10,545	(3,764)	205	78,856
Vehicles	1,714	456	-	-	2,170
Installations and improvements in leased property	12,209	2,886	(47)	419	15,467
Total	345,864	23,582	(4,047)	(202)	365,197
Net	388,674				389,347

7. OTHER ASSETS AND LIABILITIES

The item other assets is primarily comprised of tax credits from general sales tax, yield receivable from derivatives and deferred income tax and workers´ profit sharing, which as of June 30, 2010, amounted to S/.233.9, S/.296.5 and S/.255.5 million, respectively (S/.279.7, S/.338.1 and S/.244 million respectively, as of December 31, 2009) .

Other liabilities primarily comprised sums payable to suppliers, yield payable from derivatives and other provisions in the amount of S/.180.8, S/.279.9 and S/.460.9 million, respectively, as of June 30, 2010 (S/.217.5, S/.242.4 and S/.419.8 million respectively, as of December 31, 2009).

8. OBLIGATIONS TO THE PUBLIC AND DEPOSITS OF FINANCIAL INSTITUTIONS

As of June 30, 2010 and December 31, 2009, deposits and other obligations by type were classified as follows:

	2010	2009
	S/.000	S/.000
Time deposits	8,882,387	8,930,136
Demand deposits	7,694,075	6,573,767
Savings deposits	5,234,699	5,197,986
Deposits received from financial institutions	576,723	610,444
Other obligations	104,611	177,160
Accrued interest payable	17,296	24,197
Total	22,509,791	21,513,690

Interest rates on deposits and other obligations accounts are established by Grupo Continental based on effective market interest rates. During 2010 and 2009 prevailing effective annual interest rates were as follows:

	2010		2009	
	Accounts in		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	0.20 - 1.25	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

9. INTER-BANK FUNDS

The balances as of June 30, 2010, and December, 2009, were as follows:

	2010 S/.000	2009 S/.000
Mi Banco	28,260	43,350
Deutsche Bank	21,000	-
Scotiabank	6,000	54,291
Banco de Crédito del Perú	-	202,300
Banco de la Nación	-	144,500
Citibank N.A.	-	72,250
Banco Interamericano de Finanzas	-	34,680
Banco Falabella	-	28,900
Banco Santander Perú	-	28,900
Banco Financiero del Perú	-	17,340
Banco de Comercio	-	8,670
	55,260	635,181
Accrued interests	7	20
Total	55,267	635,201

Inter-bank funds as of June 30, 2010 and December 31, 2009, had current maturities (July, 2010 and January 2010, respectively), accrued interest at an average effective annual interest rate of 1.73% (1.25% as of December 31, 2009) in domestic currency and 0.42% (0.34% in 2009) in foreign currency and were unsecured.

10. DUE TO BANKS AND CORRESPONDENTS

The balances as of June 30, 2010, and December, 2009, were as follows:

	2010 S/.000	2009 S/.000
International Financial Organizations (a)	1,831,517	1,465,643
Foreign Financial Institutions (b)	662,793	498,662
Private debenture /Credit Agreement (c)	565,200	-
Programa Mi Vivienda - Mi Hogar (My Housing - My Home program)	151,489	116,404
Corporación Financiera de Desarrollo - COFIDE	32,532	32,507
Peruvian Central Bank	13,999	-
Accrued interest payable	12,979	13,778
Total	3,270,509	2,126,994

Loans agreements signed with COFIDE and 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 June 30, 2010, and December 31, 2009.

(a) International Financial Organizations

Debts to international financial organizations accrued interest at international market rates between 0.6% and 6.4% as of June 30, 2010 (1.4% and 6.4% as of December 31, 2009) and are unsecured.

Name of creditor	Balances as of June 30, 2010		Balances as of December 31, 2009		Due Dates
	US$000	S/.000	US$000	S/.000	
International Finance Corporation - IFC	191,667	541,651	195,000	563,550	December 2012/ December 2018
Corporación Andina de Fomento - CAF	200,000	565,200	50,000	144,500	July 2010 / November 2010
Corporación Interamericana de Inversiones - CII	11,428	32,296	17,143	49,543	May 2011
Banco Interamericano de Desarrollo - BID (i)	245,000	692,370	245,000	708,050	February 2012/ February 2014/ February 2017/ February 2019
Total	648,095	1,831,517	507,143	1,465,643	

(i) US$ 50 million corresponds to subordinated debt, approved by the SBS and it is considered as part of the Regulatory Capital.

(b) Foreign Financial Institutions

As of June 30, 2010, the loan balance with foreign financial institutions accrued interest based on market rates between 0.6% and 3.4% (1.8% and 3.1% as of December 31, 2009). The outstanding amounts were as follows:

Name of creditor	Balances as of June 30, 2010		Balances as of December 31, 2009		Due dates
	US$000	S/.000	US$000	S/.000	
Sindicated Loan Facility	100,000	282,600	100,000	289,000	September 2010
DEG Deutsche Investi (i)	67,500	190,755	70,000	202,300	October 2017 / June 2018
Bank of America	50,000	141,300	-	-	July 2010
Other	17,034	48,138	2,547	7,362	January 2010
Total	234,534	662,793	172,547	498,662	

(i) US$ 30 million corresponds to subordinated debt, approved by the SBS and it is considered as part of the Regulatory Capital.

In August 2008, the Bank entered into a syndicated loan for US$100 million with the participation of the following foreign financial entities: Standard Chartered Bank, Wachovia Bank NA, Sumitomo Mitsui Banking Corporation, Unicredit SPA, The Bank of Tokyo, Landesbank Baden, Mizuho Corporate Bank and Zurcher Kantonalbank. The applicable rate is 90 days Libor plus a spread. The term of the loan is 25 months with cancellation of principal at maturity. Part of the interest was paid in February 2009, August 2009 and February 2010, the difference will be paid in August and September 2010.

(c) Private debenture agreement

As of June 30, 2010, due to banks include a private agreement related to a securitization of remittances for a total amount of US$200 million (Note 16).

11. SECURITIES, BONDS AND OUTSTANDING OBLIGATIONS

The balances as of June 30, 2010, and December, 2009, were as follows:

	2010	2009
	S/.000	S/.000
Corporate Bonds	437,067	440,171
Subordinated Bonds	454,365	454,581
Leasing Bonds	140,650	142,250
Notes (debt instruments)	706,500	722,500
Accrued expenses payable	13,325	13,424
Total	1,751,907	1,772,926

As of June 30, 2010 the detail of issued bonds and notes was as follows:

Program	Authorized amount	Issuance	Series	Amount of Disbursed Currency		Balance as of June 30, 2010 S/.000	Maturity Date
Corporate Bonds							
Second	US$50 million or S/.160 million	First	A	S/.	70,000	70,000	October 2012
		First	B	S/.	23,000	23,000	March 2013
		First	C	S/.	30,000	30,000	April 2013
		First	D	S/.	17,000	17,000	May 2013
		Second	A	S/.	20,000	20,000	January 2011
Third	US$100 million or S/.315 million	First	A	S/.	40,000	40,000	December 2012
		Second	A	S/.	40,000	40,000	March 2012
		Third	A	US$	9,969	28,172	September 2012
		Fourth	A	US$	8,533	24,115	September 2014
		Sixth	A	US$	30,000	84,780	October 2012
		Seventh	Only	S/.	60,000	60,000	May 2018
						437,067	
Subordinated Bonds							
First	US$50 million or S/.158.30 million	First	A	S/.	40,000	39,763	May 2022
		Second	A	US$	20,000	56,222	May 2027
		Third	A	S/.	55,000	61,155	June 2032
Second	US$100 million	First	A	US$	20,000	56,520	September 2017
		Second	A	S/.	50,000	54,448	November 2032
		Third	A	US$	20,000	56,520	February 2028
		Fourth	Only	S/.	45,000	47,289	July 2023
		Fifth	Only	S/.	50,000	51,865	September 2023
		Sixth	A	S/.	30,000	30,583	December 2033
						454,365	
Leasing Bonds							
First	US$200 million	First	A	US$	25,000	70,650	April 2016
		Second	A	S/.	30,000	30,000	September 2014
		Third	A	S/.	40,000	40,000	November 2014
						140,650	
Notes							
First	US$250 million	First	A	US$	250,000	706,500	December 2015
						1,738,582	

Corporate bonds are unsecured and accrued annual interest at rates between 5.8% and 7.9% for domestic currency and between 6.2% and 6.4% for foreign currency as of June 30, 2010 and December 31, 2009.

Subordinated bonds were issued according to General Law requirements and accrue annual interest at rates between 5.9% and VAC plus a spread for domestic currency and between 6% and Libor plus spread for foreign currency.

Leasing bonds are secured by the same assets financed by Grupo Continental and accrue interest at a nominal annual rate of 6.3% for domestic currency and 7.2% for foreign currency.

12. SHAREHOLDER'S EQUITY

(a) Capital stock

As of June 30, 2010 and December 31, 2009, capital stock of the Bank consisted of 1,471,242,652, outstanding ordinary shares with a face value of S/.1 each, authorized, issued and fully paid. As of the date of this report there are 372,184,636 common shares pending inscription through the capitalization of special reserves and retained earnings.

The Bank´s 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 reserves and retained earnings.

The Bank´s common shares is listed on the Lima Stock Exchange (hereinafter, BVL for its Spanish acronym). As of June 30, 2010 and December 31, 2009, the stock market quotation value of the Bank´s stock was S/.6.67 and S/.9.05 per share, respectively.

As of June 30, 2010, 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	8,406	5.41
1.01 to 5	2	2.35
More than 80	1	92.24
	8,409	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.

A special reserve has been established by appropriation of retained earnings and 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 Shareholder's Annual Meetings held on March 30, 2010, and March 31, 2009, agreed to distribute dividends of approximately S/.463.8 and S/.362.1 million, respectively, which were paid on April 27, 2010, and April 28, 2009, respectively.

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

As of June 30, 2010 retained earnings included S/.22.1 million for unrealized gain of the available-for-sale investments portfolio (S/.68.5 million as of December 31, 2009 for unrealized losses) and S/.3.2 million corresponding to unrealized gains of held to maturity investments (S/.3.3 million as of December 31, 2009).

The General Shareholder's Annual Meetings on March 30, 2010 and March 31, 2009, approved the capitalization of retained earnings by S/.371 and S/.302.6 million, respectively.

13. REGULATORY CAPITAL AND LEGAL LIMITS

As of June 30, 2010, Bank´s regulatory capital calculated following SBS regulations was S/.3,230 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 opinion of Grupo Continental´s management such limits and restrictions are fully met by Grupo Continental.

According to the General Law, as of June 30, 2010 and as of December 31, 2009, the regulatory capital amount cannot be less than 9.5% of credit, market and operational risk average weighted assets and contingent loans.

Credit, market and operational risk average weighted assets and contingent loans calculated in accordance with applicable regulations were S/.23,398.7 million as of June 30, 2010 (S/.20,699.6. million as of December 31, 2009).

As of June 30, 2010 and December 31, 2009, the Bank's global leverage ratio for credit, market and operational risk was 13.80% and 13.31%, respectively.

14. BASIC AND DILUTED EARNING PER SHARE

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

Basic and diluted earnings per share results for the three-month and six-month periods ended June 30, 2010 and 2009 were as follows:

	Quantity of shares			
	2010	2009	2010	2009
	For the Specific Three-Month Period from April 1 to June 30, 2010 In million	For the Specific Three-Month Period from April 1 to June 30, 2009 In million	For the Accumulated Period from January 1 to June 30, 2010 In million	For the Accumulated Period from January 1 to June 30, 2009 In million
Outstanding at beginning of the year	1,471.2	1,109.3	1,471.2	1,109.3
Free capital reserve capitalization	1.2	59.3	1.2	59.3
Earning capitalization	371.0	302.6	371.0	302.6
Outstanding at the period end	1,843.4	1,471.2	1,843.4	1,471.2
Net income for the three and six-month period (in thousands of Peruvian Nuevos soles)	239,322	287,821	465,341	519,608
Basic and diluted earnings per share	0.13	0.20	0.25	0.35

15. TRANSACTIONS WITH RELATED PARTIES

As of June 30, 2010 and December 31, 2009, the main transactions with related companies and subsidiaries for credits, financial services, corresponding relationships, derivative financial instruments transactions, among others, were as follows:

	2010	2009
	S/.000	S/.000
Assets:		
Cash and due from banks	23,170	25,910
Loans, net	59	48
Other assets	82,507	102,735
Liabilities:		
Obligations to the public and deposits with financial institutions	597,317	137,483
Debts and financial obligations	6,343	-
Other liabilities	127,985	99,664
Contingent and off-balance sheet accounts:		
Contingent accounts	5,092,145	4,163,548
Off-balance sheet accounts	1,622,952	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 condensed consolidated statements of income during the six-month periods ended June 30, 2010 and 2009 were the following:

	2010	2009
	S/.000	S/.000
Financial income	1	28
Financial expenses	(157)	(8,234)
Other income (expenses), net	(16,999)	(16,929)

Personnel Loans

As of June 30, 2010 and December 31, 2009, directors, executives and employees of Grupo Continental maintained permitted operations with the Bank in accordance with the General Law, which regulates and establishes certain limits on transactions with directors, executives and employees of banks in Peru. As of June 30, 2010 and December 31, 2009, direct loans to employees, directors, executives and key personnel were S/.187.8 million and S/.135.2 million, respectively.

As of June 30, 2010, key staff salaries and director salaries amounted to S/.3.8 million. (S/.3.3 million as of June 30, 2009).

16. CONTINGENT AND OFF-BALANCE SHEET ACCOUNTS

Derivative financial instruments

The Bank enters into forward agreements for the purchase and sale of foreign currency, interest rates swaps (IRS) and cross currency swaps (CCS). As of June 30, 2010 the amounts outstanding equivalent to Nuevos Soles were S/.17,901 million (S/.15,538 as of December 31, 2009).

Lawsuits and legal processes

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/.246.8 million as of June 30, 2010 and S/.248.9 million as of December 31, 2009.

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 fixed quarterly coupons with a 2-year grace period. The debt instruments bear interest at 90 day Libor plus a spread.

The issuances 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.

At April 30, 2010 Continental DPR Finance Company took on debt through a private debenture agreement for a total of US$200 million (Series 2010-A). This series matures on March 15, 2017 and has fixed quarterly coupons with 2-year grace period. This debt bears interest at a LIBOR rate plus a spread.

This series is secured by the same conditions of the notes above referred.

The operative documents of the notes and indebtness include covenants requiring compliance by the Bank with certain financial ratios and other specific conditions related to transferred flows. Grupo Continental's management believes it was in compliance with such conditions as of June 30, 2010.

17. FINANCIAL INCOME

The reduction in financial income for the six-month period ended June 30, 2010 compared to June 30, 2009 is presented because in 2009 were sold available-for-sale investments that had a strong surplus as a result of the significant decrease in interest rates in the local market and generated a net gain of S/. 125 million. Furthermore, the position on forwards and interest rate swap derivatives generated net profits by S/.53.4 million in the first half of 2009.

The lower lending activity in late 2009 and the slow growth of the loan portfolio in the first months reduced interest earnings in the first half of 2010.

18. FINANCIAL EXPENSES

Financial expenses in the first semester of 2010 have decreased significantly mainly due to the fall in interest rates from the increase in liquidity in the Peruvian financial system and the lowest interest rate environment as a result of Central Bank policies. Interest on deposits decreased 56.7% and interest on due to banks and international financial organizations decreased 72.9%.

Furthermore, the position on forwards and interest rate swap derivatives generated net losses by S/.46.6 million in the first half of 2010.

19. INCOME FROM FINANCIAL SERVICES

Financial services income increased in the first half of 2010 due to higher revenue from contingent transactions, commissions for insurance sales and other income.

Contingent operations increased by higher income in letters of credit.

Other Revenues increased by higher commissions earned on the mutual fund management (Continental S.A. Sociedad Administradora de Fondos Mutuos) and brokerage (Continental – Sociedad Agente de Bolsa S.A.) subsidiaries for the recovery of its operations in markets and the increase of transactions with its clients.

20. ADMINISTRATIVE EXPENSES

Administrative expenses increased by higher costs of rented offices and the increase of opening offices in 2010. Furthermore, the operating of new offices increased the expenses for maintenance and repair, customer service platform and security and surveillance costs.

21. SUBSEQUENT EVENTS

We do not have knowledge of any events that have occurred subsequent to the closing date of the financial statements and the date of this report, which have not been disclosed and can affect them significantly, except for the following:

Bonds issuance:

On August 13, 2010 Grupo Continental made the first issuance of the fourth program of corporate bonds for an amount of S/.40 million at a nominal annual interest rate of 7.18% with semi-annual interest payments within 10 years.

On August 25, 2010 Grupo Continental conducted the second issuance of the fourth program of corporate bonds for an amount of S/.80 million at a nominal annual interest rate of 7.22% with semi-annual interest payments within 10 years.

Pronouncements of SBS:

The following rules, among others, are effective since 2010:

Resolution SBS N° 11356 - 2008

The Resolution SBS N° 11356 – 2008 is effective since July 1, 2010, and the main changes are the following:

- Banks' loan portfolios are classified in eight different categories of loans: corporate loans, big business loans, medium business loans, small business loans, micro business loans, revolving consumer loans, non revolving consumer loans and residential mortgage loans.

- The credit risk categories of debtors are the same as the prior regulation, but there a few changes in the guidelines to classify the debtors in such categories, there are also changes in some rates of provision depending on the type of credit.

- The allowances for indirect credits are calculated over the nominal amount multiplied by a credit conversion factor.

Resolution SBS N° 14354 - 2009

The Resolution SBS N° 14354 – 2009 is effective since July 1, 2010, and the main changes are the following:

- Financial institutions are allowed to use the standard or IRB (internal rating-based) methodologies for calculating their regulatory capital requirement for credit risk.

- Regarding to the standard method, the SBS has established risk weight factors depending on the type of credit, the type of debtor and its external credit risk rating. There are also some adjustments to the exposure and to the admissible collaterals. The capital requirements for credit risk on indirect credits are calculated over the nominal amount multiplied by a credit conversion factor.

- IRB method is subject to certain minimum conditions and disclosure requirements. Banks that have received supervisory approval to use the IRB approach may rely on their own internal estimates of risk components in determining the capital requirement for a given exposure. The risk components include measures of the probability of default (PD), loss given default (LGD), the exposure at default (EAD), and effective maturity (M). In some cases, banks may be required to use a supervisory value as opposed to an internal estimate for one or more of the risk components.

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