

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

Consolidated Financial Statements

As of September 30, 2017 and as of December 31, 2016 and for the nine-months periods ended September 30, 2017 and 2016

(Translation of a report originally issued in Spanish)

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

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BBVA BANCO CONTINENTAL AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of September 30, 2017 and December 31, 2016
In thousands of S/

ASSETS	Notes	2017	2016	LIABILITIES AND EQUITY	Notes	2017	2016
Cash and due from banks	3	16,363,800	20,888,598	Obligations to the public	8	47,938,031	47,946,804
Interbank funds	9	245,047	728,080	Interbank funds	9	50,010	-
Investments at fair value through profit or loss	4	2,508,976	233,153	Deposits of financial entities and international financial organizations		2,347,732	1,407,661
Available-for-sale investments	4	4,206,512	2,882,747	Due to banks and financial obligations	10	11,211,928	12,023,795
Held-to-maturity investments	4	473,882	470,686	Trading derivatives	15	447,283	710,588
Loan portfolio, net	5	49,362,575	49,955,024	Hedging derivatives	15	121,091	161,691
Trading derivatives	15	530,973	838,715	Payable	7	6,089,793	8,367,216
Hedging derivatives	15	743	3,589	Current taxes		2,034	2,095
Accounts receivable		252,128	41,518	Provisions	7	557,684	545,154
Asset seized and recovered through legal actions, net		208,757	217,944	Deferred tax		-	289
Investments in associates		10,604	3,873	Other liabilities	7	626,934	423,689
Property, furniture and equipment, net	6	883,160	893,661	TOTAL LIABILITIES		69,392,520	71,588,982
Current taxes		294,921	261,015	EQUITY			
Deferred income tax		402,688	423,728	Capital stock	11 (a)	4,883,119	4,401,368
Other assets	7	909,796	727,938	Additional capital		-	-
Goodwill		5,289	5,289	Reserves	11 (b)	1,383,079	1,249,175
				Adjustments to equity	11 (d)	3,464	380
				Retained earnings	11 (c)	997,669	1,335,653
				TOTAL EQUITY		7,267,331	6,986,576
TOTAL ASSETS		76,659,851	78,575,558	TOTAL LIABILITIES AND EQUITY		76,659,851	78,575,558
CONTINGENT RISKS AND COMMITMENTS	15	24,287,022	25,513,948	CONTINGENT RISKS AND COMMITMENTS	15	24,287,022	25,513,948

The accompanying notes are an integral part of these consolidated financial statements.

BBVA BANCO CONTINENTAL AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
For the nine-months periods ended September 30, 2017 and 2016
In thousands of \$'

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
Interest income	16	3,300,466	3,377,450
Interest expenses	17	(1,140,480)	(1,215,936)
GROSS FINANCIAL MARGIN		2,159,986	2,161,514
Provisions for direct loans		(520,764)	(472,776)
NET FINANCIAL MARGIN		1,639,222	1,688,738
Income from financial services	19	807,937	794,011
Expenses for financial services	19	(223,773)	(203,291)
NET FINANCIAL MARGIN OF INCOME AND EXPENSES FOR FINANCIAL SERVICES		2,223,386	2,279,458
Gain/loss from financial operations		415,714	367,104
OPERATING MARGIN		2,639,100	2,646,562
Administrative expenses	18	(1,111,224)	(1,167,170)
NET OPERATING MARGIN		1,527,876	1,479,392
Valuation of assets and provisions		(125,111)	(123,034)
OPERATING PROFIT		1,402,765	1,356,358
Other income and expenses		(34,398)	(28,250)
PROFIT FOR THE PERIOD BEFORE INCOME TAX		1,368,367	1,328,108
Income tax		(368,384)	(350,734)
NET PROFIT FOR THE PERIOD		999,983	977,374
Basic and diluted earnings per share in Soles	13	0.205	0.200

The accompanying notes are an integral part of these consolidated financial statements.

BBVA BANCO CONTINENTAL AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME**

For the nine-months periods ended September 30, 2017 and 2016

In thousands of S/

	<u>2017</u>	<u>2016</u>
NET PROFIT FOR THE PERIOD	999,983	977,374
Other comprehensive income:		
Available-for-sale investments	2,980	10,725
Cash flow hedges	(1,172)	569
Participation in other comprehensive income of associates	(12)	53
Income tax related to items of other comprehensive income	<u>1,288</u>	<u>1,532</u>
Other comprehensive income for the period, net of taxes	<u>3,084</u>	<u>12,879</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>1,003,067</u></u>	<u><u>990,253</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

BBVA BANCO CONTINENTAL AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY**

For the nine-months periods ended September 30, 2017 and 2016

In thousands of S/

	Reserves			Adjustments to Equity			Total equity	
	Capital stock	Mandatory reserves	Voluntary reserves	Retained earnings	Cash flow hedges	Available-for-sale investments and other comprehensive income from associates		Total adjustments to equity
	Note 12 (a)	Note 12(b)	Note 12 (b)	Note 12 (c)	Note 12 (d)	Note 12 (d)		
Balances as of January 1, 2016	3,784,146	1,111,786	-	1,371,790	573	(12,122)	(11,549)	6,256,173
Changes in equity:								
Comprehensive income:								
Net profit for the period	-	-	-	977,374	-	-	-	977,374
Other comprehensive income	-	-	-	-	421	12,458	12,879	12,879
Total comprehensive income	-	-	-	977,374	421	12,458	12,879	990,253
Changes in net equity (not included in comprehensive income)								
Declared dividends in cash	-	-	-	(617,222)	-	-	-	(617,222)
Issuance of equity shares (different than business combination)	617,222	-	-	(617,222)	-	-	-	-
Transfers to reserves and others movements	-	137,306	-	(137,160)	-	-	-	146
Total changes in equity	617,222	137,306	-	(394,230)	421	12,458	12,879	373,177
Balances as of September 30, 2016	4,401,368	1,249,092	-	977,560	994	336	1,330	6,629,350
Balances as of January 1, 2017	4,401,368	1,249,092	83	1,335,653	1,373	(993)	380	6,986,576
Changes in equity:								
Comprehensive income:								
Net profit for the period	-	-	-	999,983	-	-	-	999,983
Other comprehensive income	-	-	-	-	(826)	3,910	3,084	3,084
Total comprehensive income	-	-	-	999,983	(826)	3,910	3,084	1,003,067
Changes in net equity (not included in comprehensive income)								
Declared dividends in cash	-	-	-	(722,502)	-	-	-	(722,502)
Issuance of equity shares (different than business combination)	481,751	-	(83)	(481,668)	-	-	-	-
Transfers to reserves and others movements	-	133,987	-	(133,797)	-	-	-	190
Total changes in equity	481,751	133,987	(83)	(337,984)	(826)	3,910	3,084	280,755
Balances as of September 30, 2017	4,883,119	1,383,079	-	997,669	547	2,917	3,464	7,267,331

The accompanying notes are an integral part of these consolidated financial statements.

BBVA BANCO CONTINENTAL AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the nine-months periods ended September 30, 2017 and 2016
In thousands of S/

	<u>2017</u>	<u>2016</u>
RECONCILIATION OF NET PRO FIT FOR THE PERIOD WITH CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES:		
Net Profit for the period	999,983	977,374
Adjustments	999,018	859,588
Depreciation and amortization	92,137	82,259
Provisions	553,738	500,676
Other adjustments	353,143	276,653
Net variation in assets and liabilities	(2,237,290)	(2,953,472)
Net (decrease) increase in assets	(1,247,330)	1,524,208
Loans	(334,369)	(869,594)
Investments at fair value through profit or loss	(2,275,824)	(201,891)
Available-for-sale investments	(1,095,539)	819,797
Receivables and other accounts	2,458,402	1,775,896
Net (decrease) increase in liabilities	(989,960)	(4,477,680)
Financial liabilities, unsubordinated debt	1,367,502	(2,476,263)
Accounts payable and others	(2,357,462)	(2,001,417)
Profit for the period, after net changes in assets and liabilities and adjustments	(238,289)	(1,116,510)
Paid income taxes	(367,800)	(368,074)
NET CASH FLOWS TO OPERATING ACTIVITIES	(606,089)	(1,484,584)
CASH FLOWS OF INVESTMENT ACTIVITIES:		
Outflows for sales of intangibles and property, furniture and equipment	(133,289)	(81,342)
Outflows for purchases in participations	-	(98,061)
Other inflows related to investment activities	38,715	18,146
NET CASH FLOWS TO INVESTMENT ACTIVITIES	(94,574)	(161,257)
CASH FLOWS OF FINANCING ACTIVITIES:		
Outflows for redemption of subordinated financial liabilities	(65,300)	-
Other inflows related to financing activities	-	33,951
Other outflows related to financing activities	(200,000)	-
Dividends paid	(721,962)	(616,367)
NET CASH FLOWS TO FINANCING ACTIVITIES	(987,262)	(582,416)
NET DECREASE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE VARIATION	(1,687,925)	(2,228,256)
Effect of exchange rate variation on cash and cash equivalents	(481,849)	(67,470)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,169,774)	(2,295,726)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	14,652,430	15,270,159
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	12,482,656	12,974,433

The accompanying notes are an integral part of these consolidated financial statements.

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the nine-months periods ended September 30, 2017 and 2016

In thousands of S/

	<u>2017</u>	<u>2016</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD WITH ACCOUNT BALANCES IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION		
CASH AND CASH EQUIVALENTS AS OF SEPTEMBER 30, 2017 AND 2016	12,482,656	12,974,433
Guarantee funds	5,299,417	8,226,406
Interbank funds	(245,047)	(5,001)
Investments with maturities less than 90 days	<u>(1,173,226)</u>	<u>(1,443,311)</u>
CASH AS PER CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	<u>16,363,800</u>	<u>19,752,527</u>

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2017

(In thousands of Soles)

1. INCORPORATION, ECONOMIC ACTIVITY AND APPROVAL OF FINANCIAL STATEMENTS

Background

BBVA Banco Continental (hereinafter the Bank) is a subsidiary of Newco Perú S.A.C, which owns 46.12% of the capital stock of the Bank. Banco Bilbao Vizcaya Argentaria owns 100% of the shares of Newco Perú S.A.C. The Bank is a public company incorporated in 1951, authorized to operate by the Peruvian Banking Regulator (The Superintendency of Banking, Insurance and Private Administrators of Pension Funds, hereinafter the SBS, for its Spanish acronym) based in Lima, Peru. The Bank's main office legal address is Av. República de Panamá No. 3055, San Isidro, Lima.

Economic Activity

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

As of September 30, 2017, and December 31, 2016, the Bank carries out its activities through a network of 332 and 334 offices, respectively. The total number of employees of the Bank and its subsidiaries as of September 30, 2017, and December 31, 2016 was 5,710 and 5,690, respectively.

As of September 30, 2017 and December 31, 2016, the Bank has a 100% shareholding and voting rights over the following subsidiaries: Continental Bolsa Sociedad Agente de Bolsa S.A., BBVA Asset Management Continental S.A., Sociedad Administradora de Fondos, Continental Sociedad Titulizadora S.A., Inmuebles y Recuperaciones Continental S.A., BBVA Consumer Finance EDPYME, Forum Comercializadora del Perú S.A. and Forum Distribuidora del Perú S.A (these three aforementioned companies are subsidiaries since April, 2016). Even though the Bank has no equity stake or voting rights in Continental DPR Finance Company (DPR), due to the characteristics of its business purpose and its relationship with the Bank, accounting standards require that DPR's financial statements should be included on a consolidated basis with those of the Bank (all these companies will be referred to as Grupo Continental).

Change of the parent company

On July 1, 2016, 50% of equity of the assets and liabilities of Holding Continental S.A. was split off to Newco Perú S.A.C., and as a result, 46.12% of shares of the Bank were assigned to Newco Perú S.A.C. This split-off was authorized by the SBS through Resolution SBS No. 3304-2016 dated June 15, 2016. Through this split-off, the ownership of shares of Banco Bilbao Vizcaya Argentaria S.A. was transferred to Newco Perú S.A.C., and Inversiones Breca S.A. maintained its ownership of the shares of the Bank through Holding Continental S.A.

Acquisition of subsidiaries

On April 6, 2016, the Bank acquired 51.68% of shares of the capital stock of BBVA Consumer Finance EDPYME, Forum Comercializadora del Perú S.A. and Forum Distribuidora del Perú S.A. Also, on April 29, 2016, the Bank acquired the remaining 48.32% of shares of the capital stock of the companies mentioned above.

The acquisition values of the entities are the following:

In thousands of S/

Acquired Companies	Acquisition value	% Participation
BBVA Consumer Finance EDPYME	67,021	100
Forum Comercializadora del Perú S.A.	16,941	100
Forum Distribuidora del Perú S.A.	21,499	100
Total	105,461	

The assets, liabilities and equity of the entities acquired as of March 31, 2016, are the following:

In thousands of S/

Acquired Companies	Assets	Liabilities	Equity
BBVA Consumer Finance EDPYME	231,369	170,222	61,147
Forum Comercializadora del Perú S.A.	13,944	1,090	12,854
Forum Distribuidora del Perú S.A.	55,246	29,075	26,171
Total	300,559	200,387	100,172
Goodwill			5,289
Total			105,461

The goodwill of S/ 5 million is the additional value paid for the carrying amount of the acquired companies and it corresponds to the expected value of the acquired business.

Additionally, as a 100% shareholder of Forum Comercializadora del Perú S.A., the Bank agreed to reduce its capital stock by S/7.4 million during the Shareholders Meeting held on April 29, 2016.

On May 1, 2016, the Bank sold one share to Inmuebles y Recuperaciones Continental S.A. of Forum Comercializadora del Perú S.A. and Forum Distribuidora del Perú S.A.

Approval of the consolidated financial statements

The consolidated financial statements as of September 30, 2017, were approved for issuance by the management of Grupo Continental.

Subsidiaries and Special Purpose Entities (SPE)

The consolidated financial statements include the financial statements of the Bank, its subsidiaries and a SPE.

The assets, liabilities and shareholder's equity of the entities of Grupo Continental as of September 30, 2017 and December 31, 2016 are as follows:

Entity	(In millions of Soles)					
	Assets		Liabilities		Equity	
	2017	2016	2017	2016	2017	2016
BBVA Banco Continental	76,643	78,620	69,374	71,631	7,269	6,989
Continental Bolsa - Sociedad Agente de Bolsa S.A.	43	38	24	17	19	21
BBVA Asset Management Continental S.A. Sociedad Administradora de Fondos	55	54	3	2	52	52
Continental Sociedad Titulizadora S.A.	4	3	1	-	3	3
Inmuebles y Recuperaciones Continental S.A.	58	48	4	4	54	44
Continental DPR Finance Company	260	481	260	481	-	-
BBVA Consumer Finance Edpyme	452	342	386	287	66	55
Forum Comercializadora S.A	2	3	-	1	2	2
Forum Distribuidora S.A	102	85	84	58	18	27

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies as of September 30, 2017, remained unchanged with respect to those in the audit report issued on February 17, 2017, by Beltrán, Gris y Asociados S. Civil de R.L.; representatives of Deloitte, for the years ended December 31, 2016 and 2015 except for the following:

As of September of 2017, the Bank recognize its investment in Compañía Peruana de Medios de Pago SAC (Visanet Peru) as an associate due to the fact that the equity interest increased to 20.28% (19.63% as of December 31, 2016). The Bank offers cards (credit, debit and others) identified with the VISA brand so that customers may carry out transactions in the affiliated establishments. By recognizing Visanet Peru as an associated company, the Bank records all the results under the equity participation method and stopped identifying it as an available for sale investment at a measured cost. The impact of this change increases the results of the period by S/ 4 million.

3. CASH AND DUE FROM BANKS

As of September 30, 2017, cash and due from banks include approximately US\$ 2,162 and S/ 1,940 million (US\$ 2,447 and S/ 1,726 million as of December 31, 2016), which correspond to the required reserve that Peruvian entities must maintain for deposits and obligations to third parties. These funds are deposited in the entities vaults and in Banco Central de Reserva del Perú (BCRP).

As of September 30, 2017, the funds required for the reserve in local and foreign currency are affected by an implicit rate in local currency of 5% and in foreign currency of 44.33% over total obligations subject to required reserve (TOSE) in local and foreign currency as required by BCRP (as of December 31, 2016, the applicable implicit rates in local and in foreign currencies were 6.5% and 44.33%, respectively).

Reserve funds represent the legal minimum (5%) and do not bear interest. Reserve funds corresponding to the additional reserve required in foreign currency and local currency, bear interest at an annual nominal rate set by the BCRP. As of September 30, 2017, the interest income earned from these deposits was S/ 11 million (S/ 8 million as of December 31, 2016), and it is included in the category "Interest from deposits in financial institutions" of the consolidated statement of income. Pursuant to legal provisions in force, these reserves cannot be seized.

As of September 30, 2017 and December 31, 2016, cash and due from banks include restricted funds for S/ 2 million, which correspond to legal proceedings against the Bank and to secure any liabilities generated by these lawsuits.

As of September 30, 2017, the guarantee funds from derivative operations amount to S/ 246 million (S/ 8 million as of December 31, 2016).

As of September 30, 2017 and December 31, 2016, cash and due from banks include guarantee funds, which are used to secure foreign exchange repurchase agreements entered with BCRP, balances for S/ 5,054 and S/ 7,906 million, respectively (Note 7-b).

4. INVESTMENT IN SECURITIES

As of September 30, 2017 and December 31, 2016, the investments in securities, according to the type of financial instrument are as follows:

In thousands of S/

	<u>2017</u>	<u>2016</u>
Available-for-sale investments assets		
Certificates of deposit of BCRP (a)	3,935,733	2,696,557
Sovereign Bonds of the Republic of Peru (b)	122,019	104,567
Corporate Bonds	107,647	33,276
Shares in local companies (c)	40,476	47,710
Share in foreign companies	637	637
	<u>4,206,512</u>	<u>2,882,747</u>
Investments assets at fair value through profit or loss		
Certificates of deposit of BCRP (a)	2,142,407	124,701
Sovereign Bonds of the Republic of Peru (b)	304,951	99,641
Investments in mutual funds (d)	25,864	8,811
U.S. Treasury Bonds	35,754	-
Shares in local companies (c)	-	-
	<u>1,269,528</u>	<u>233,153</u>
Held-to-maturity financial assets		
Sovereign Bonds of the Republic of Peru (b)	<u>473,882</u>	<u>470,686</u>

- (a) The BCRP Certificates of deposits are freely tradable securities, with maturities up to March 2019, which were acquired in public auctions or secondary markets at interest rates offered by financial entities. As of September 30, 2017, the annual interest rate of these certificates in local currency oscillate between 3.45% and 3.59% (As of December 31, 2016, they oscillate between 4.25% and 4.60% and in foreign currency between 0.61% and 0.62%).
- (b) Sovereign bonds are issued by the Peruvian government. As of September 30, 2017, they accrued interests at annual rates fluctuating between 1.16% and 5.97% (2% and 7.20% as of December 31, 2016) in local currency with terms up to August 2037 (February 2055 as of December 31, 2016).
- (c) As of September 30, 2017 and December 31, 2016, this balance mainly includes shares of Lima Stock Exchange (BVL for its Spanish acronym) for a total value of S/ 40 and S/ 44 million, respectively.
- (d) As of September 30, 2017 and December 31, 2016, the investment in mutual funds corresponds to ownership of shares held by Grupo Continental in several mutual funds managed by BBVA Asset Management Continental S.A. Sociedad Administradora de Fondos.

5. LOAN PORTFOLIO

a) As of September 30, 2017 and December 31, 2016, the loan portfolio comprises the following:

In thousands of S/	2017		2016	
		%		%
Direct loans				
Loans	18,985,493	38	18,908,937	38
Mortgages loans	11,302,646	23	10,917,221	22
Foreign trade loans	5,685,445	12	5,904,719	12
Financial lease	4,745,309	10	5,247,666	11
Consumer	4,834,820	10	4,576,672	9
Discounted notes	1,110,851	2	1,379,693	3
Others	2,408,401	5	2,854,158	6
	49,072,965	100	49,789,066	100
Past-due loans and under legal collection loans	1,466,055	2	1,257,089	2
Refinanced and restructured credits	1,030,503	2	942,301	2
	51,569,523	104	51,988,456	104
Plus: Accrued interest	362,630	1	371,692	1
	51,932,153	105	52,360,148	105
Deferred income from loan transactions	(57,796)	-	(48,912)	-
Allowance for loan losses	(2,511,782)	(5)	(2,356,212)	(5)
TOTAL	49,362,575	100	49,955,024	100
Indirect loans	15,022,004		16,854,889	

Loan secured by guarantees received from customers, mainly composed by mortgages, deposits, letters of guarantee, warrants and financial lease operations, amount to S/ 37,586 and S/ 38,366 million as of September 30, 2017 and December 31, 2016, respectively.

As of September 30, 2017, part of the mortgage loan portfolio guarantees a debt with “Mi Vivienda - Mi Hogar” Fund for up to about S/ 508 million (S/ 536 million as of December 31, 2016) (Note 10-c).

As of September 30, 2017 and December 31, 2016, the annual average interest rates of the main products were as follows:

	2017		2016	
	Loans in		Loans in	
	S/	US\$	S/	US\$
	%	%	%	%
Loans and discounts	7.79	5.32	8.10	6.27
Mortgages	8.42	7.45	8.66	7.79
Consumer	25.89	28.16	25.58	27.32

- b) The table below presents the balances of the direct loan portfolio as of September 30, 2017 and December 31, 2016, under the distribution established by SBS Resolution No. 11356-2008, as follows:

In thousands of S/	2017		2016	
		%		%
Medium businesses	11,717,069	23	11,541,349	22
Mortgage	10,997,590	21	11,231,044	22
Corporate	11,972,749	23	11,683,100	22
Large businesses	8,744,617	17	9,311,519	18
Consumer	4,994,621	10	4,721,392	9
Small businesses	1,190,944	2	1,284,575	2
Public sector entities	1,001,411	2	866,075	2
Financial system companies	433,062	1	785,956	2
Stock brokers	174,181	-	349,879	1
Multilateral Development Banks	233,972	-	119,008	-
Micro-businesses	109,300	-	94,559	-
Sovereigns	7	-	-	-
	51,569,523	100	51,988,456	100

- c) As of September 30, 2017 and December 31, 2016, the loan portfolio was distributed in the following economic sectors:

In thousands of S/	2017		2016	
		%		%
Mortgage and consumer loans	16,677,847	33	15,952,436	31
Manufacture	9,834,880	19	9,935,631	19
Commerce	9,296,091	18	9,673,102	19
Transportation, storage and communications	2,778,634	5	3,045,934	6
Real estate, business and leasing	2,797,467	5	2,691,618	5
Mining	1,574,409	3	1,491,642	3
Electricity, gas and water	1,439,487	3	1,818,495	3
Agriculture and livestock	1,218,837	2	1,465,249	3
Financial intermediation	906,935	2	1,066,797	2
Construction	1,070,284	2	1,132,217	2
Others	3,974,652	8	3,715,335	7
Total	51,569,523	100	51,988,456	100

- d) For the nine-months periods ended September 30, 2017 and the year ended December 31, 2016, the movement in the allowance for direct loan losses was:

In thousands of S/	2017	2016
Balance as of December 31	2,356,212	2,192,644
Provisions	1,242,637	1,492,962
Recoveries and reversals	(721,874)	(865,887)
Portfolio sales	(346,679)	(450,480)
Foreign exchange difference and other adjustments	(18,514)	(29,206)
Balances transferred by acquisition	-	16,179
Balance as of September 30	2,511,782	2,356,212

Management considers that the level of the provision for uncollectible loans covers potential losses in the direct credit portfolio at the date of the consolidated statement of financial position and all applicable laws and regulations have been complied with.

As of September 30, 2017, the general provision for the loan portfolio amounts to S/ 1,105 million (S/ 1,158 million as of December 31, 2016) and includes voluntary and procyclical provisions for S/ 727 million (S/ 773 million as of December 31, 2016).

During 2017, Grupo Continental sold a loan portfolio for a principal amount of approximately S/ 229 million (S/ 303 million as of December 31, 2016). The sale price was S/ 20 million (S/ 39 million in 2016) and was recorded in the item "Gain/loss from financial operations" in the consolidated statement of income.

6. PROPERTY, FURNITURE AND EQUIPMENT, NET

The movement of property, furniture and equipment is as follows:

In thousands of S/

	<u>Land</u>	<u>Buildings and facilities</u>	<u>Furniture and equipment</u>	<u>Vehicles</u>	<u>Facilities and leasehold improvements</u>	<u>Works in progress</u>	<u>In - transit and replacement units</u>	<u>Total</u>
Cost:								
Balance as of January 1, 2016	120,822	783,264	507,565	7,411	218,123	23,588	710	1,661,483
Additions	-	10,961	59,806	1,088	6,617	44,843	437	123,752
Disposals	-	-	(13)	-	-	-	-	(13)
Transfers and others	(179)	16,742	9,716	-	16,987	(47,552)	(847)	(5,133)
Balance as of December 31, 2016	120,643	810,967	577,074	8,499	241,727	20,879	300	1,780,089
Additions	-	5,654	28,265	1,127	3,221	32,421	817	71,505
Disposals	-	-	(14)	-	-	-	-	(14)
Transfers and others	-	12,608	5,397	(450)	8,476	(28,538)	(221)	(2,728)
Balance as of September 30, 2017	120,643	829,229	610,722	9,176	253,424	24,762	896	1,848,852
Accumulated depreciation:								
Balance as of January 1, 2016	-	420,200	264,865	5,729	92,426	-	-	783,220
Additions	-	35,265	49,160	762	21,599	-	-	106,786
Disposals	-	-	(15)	-	-	-	-	(15)
Transfers and others	-	(1,460)	(2,116)	-	13	-	-	(3,563)
Balance as of December 31, 2016	-	454,005	311,894	6,491	114,038	-	-	886,428
Additions	-	26,901	41,240	576	17,333	-	-	86,050
Disposals	-	-	(15)	-	-	-	-	(15)
Transfers and others	-	(438)	(5,879)	(450)	(4)	-	-	(6,771)
Balance as of September 30, 2017	0	480,468	347,240	6,617	131,367	0	0	965,692
Net cost:								
Balance as of September 30, 2017	<u>120,643</u>	<u>348,761</u>	<u>263,482</u>	<u>2,559</u>	<u>122,057</u>	<u>24,762</u>	<u>896</u>	<u>883,160</u>
Balance as of December 31, 2016	<u>120,643</u>	<u>356,962</u>	<u>265,180</u>	<u>2,008</u>	<u>127,689</u>	<u>20,879</u>	<u>300</u>	<u>893,661</u>

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

As of September 30, 2017 and December 31, 2016, these captions consisted of the following balances:

- (a) Other assets as of September 30, 2017, mainly include S/ 137 million for deferred charges (S/ 123 million as of December 31, 2016) and S/ 577 million for transactions in process (S/ 464 million as of December 31, 2016).
- (b) Payables as of September 30, 2017, mainly include pending payments to suppliers for S/ 221 million (S/ 174 million as of December 31, 2016), sundry accounts payable for S/ 21 million (S/ 17 million as of December 31, 2016), premiums to Fondo de Seguro de Depósitos (Deposit insurance fund), contributions and obligations with tax collection entities for S/ 132 million (S/ 138 million as of December 31, 2016) and dividends, employees' sharing profit and remunerations payable for S/ 86 million (S/ 96 million as of December 31, 2016) and repurchase agreement operations for currency (Note 3) and sovereign bonds of the Republic of Peru (Note 4) for S/ 5,388 million (S/ 7,750 million as of December 31, 2016) of currency repurchase agreement operations with BCRP and certificates of deposit with BCRP).
- (c) Other liabilities as of September 30, 2017, mainly include S/ 603 million of transactions in process (S/ 402 million as of December 31, 2016).
- (d) Provisions include provisions for indirect loans, litigation, claims, and provisions for employees, among others, which as of September 30, 2017 and December 31, 2016, amounted to S/ 558 and S/ 545 million, respectively. Grupo Continental has several lawsuits and litigation currently in progress and other court actions related to its core activities. Management and legal counsel consider that the outcome, of these legal actions will not result in additional provisions. Therefore, as of September 30, 2017 and December 31, 2016, Management did not consider a higher provision than that recorded for these contingencies and court actions, which amounted to S/ 201 and S/ 209 million, respectively.

8. OBLIGATIONS TO THE PUBLIC

As of September 30, 2017 and December 31, 2016, these deposits were classified as follows:

In thousands of S/	<u>2017</u>	<u>2016</u>
Time deposits	18,885,290	19,069,861
Demand deposits	15,523,539	15,415,797
Savings deposits	13,450,576	13,408,216
Other obligations	78,626	52,930
Total	<u>47,938,031</u>	<u>47,946,804</u>

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

9. INTERBANK FUNDS

As of September 30, 2017, interbank funds assets have current maturity and accrued an annual interest rate of 3.2 % in local currency (4.25% in local currency as of December 31, 2016) and 0.60% in foreign currency as of December 31, 2016. They do not have specific guarantees.

As of December 31, 2016, interbank funds liabilities have current maturity and accrued an annual interest rate of 4 % in local currency. They do not have specific guarantees.

10. DUE TO BANKS AND FINANCIAL OBLIGATIONS

Shown below are the details of financial debts and obligations:

In thousands of S/	<u>2017</u>	<u>2016</u>
Foreign financial entities (a)	3,323,759	4,238,854
International financial organizations (b)	694,979	158,211
Mi Vivienda - Mi Hogar” program and local financial entities (c)	549,248	550,487
Corporación Financiera de Desarrollo – COFIDE	10,739	33,188
Accrued interests payable	48,975	65,927
Private debt agreement	-	33,560
Total debts and financial obligations	<u>4,627,700</u>	<u>5,080,227</u>
Corporate bonds	4,267,590	4,327,732
Subordinated bonds	1,533,135	1,658,965
Financial lease bonds	405,100	405,100
Notes (Debt Instruments)	241,369	359,971
Negotiable certificates of deposit	64,116	112,440
Accrued interests payable	72,918	79,360
Total securities and bonds (d)	<u>6,584,228</u>	<u>6,943,568</u>
Total	<u>11,211,928</u>	<u>12,023,795</u>

Some loan agreements include standard clauses regarding the compliance with financial ratios, the use of funds and other administrative matters. Management believes that, as of September 30, 2017 and December 31, 2016, these clauses are being fully complied with and do not represent any restriction for the operations of Grupo Continental.

(a) Foreign financial entities

As of September 30, 2017, these balances accrued interest at market rates, oscillating between 1.2% and 7.4% (1.2% and 7.4% as of December 31, 2016):

In thousands of S/ and US \$

<u>Foreign financial institution</u>	<u>2017</u>		<u>2016</u>		<u>Due date</u>
	US\$	S/	US\$	S/	
Deutsche Bank	343,789	1,122,471	343,006	1,151,128	November 2020
Credit Suisse	200,000	653,000	200,000	671,200	October 2040
Standard Chartered	150,000	489,750	55,000	184,579	November 2017
Bank of Nova Scotia	80,000	261,200			October 2017
Bank of America	60,000	195,900			October 2017
Wells Fargo Bank	50,000	163,250	39,172	131,462	November 2017
The Bank of New York	50,000	163,250	48,000	161,088	November 2017
Citibank NY	40,000	130,600			November 2017
Bank of Montreal	25,000	81,625			November 2017
Other minors	16,707	54,550	2,788	9,357	October 2017
DEG Deutsche Investitions	2,500	8,163	5,000	16,780	October 2017
Goldman Sachs Bank			500,101	1,678,339	
Andean Development Corporation			40,000	134,240	
Citibank NA			30,000	100,680	
	<u>1,017,996</u>	<u>3,323,759</u>	<u>1,263,067</u>	<u>4,238,854</u>	
Accrued interest payable	14,600	47,670	19,004	63,776	
	<u>1,032,596</u>	<u>3,371,429</u>	<u>1,282,071</u>	<u>4,302,630</u>	

- (i) Loan for a nominal amount of US\$ 350 million, arranged at an annual fixed rate of 5.50% with principal maturity in November 2020 ("bullet"). This loan was carried at a fair value hedge through an interest-rate swap (IRS), for which the Bank recorded accumulated adjustments of S/16 million for gains to the carrying amount as of September 30, 2017, which corresponds to the variation of fair value of the hedged interest rate risk (S/18 million for accumulated gains as of December 31, 2016).
- (ii) Corresponds to a subordinated loan in foreign currency at an interest rate of 7.38% approved by the SBS. Pursuant to SBS Resolution No. 975-2016, this loan will continue to be considered as Tier 1 Regulatory Capital observing the adequacy period established by the new rules of subordinated debt, effective from February 2016.
- (iii) As of September 30, 2017 and December 31, 2016, the Bank has a balance of S / 9 million for both periods in accounts payable (Note 7) of the consolidated statement of financial position, corresponding to the issuance expenses deferred

(b) International financial organizations

Debts to international financial organizations accrued interest at international market rates between Libor +1.35% and 6.38% as of September 30, 2017 (1.35% and 6.38% as of December 31, 2016), and are unsecured.

In thousands of S/ and US\$

International financial Organization	2017		2016		Due date
	US\$	S/	US\$	S/	
Andean Development Corporation - CAF	200,000	653,000	-	-	November 2017
International Finance Corporation - IFC	12,857	41,979	17,143	57,531	December 2018
Inter-American Development Bank - IDB	-	-	30,000	100,680	February 2017
	<u>212,857</u>	<u>694,979</u>	<u>47,143</u>	<u>158,211</u>	
Accrued expenses payable	<u>180</u>	<u>586</u>	<u>440</u>	<u>1,475</u>	
	<u>213,037</u>	<u>695,565</u>	<u>47,583</u>	<u>159,686</u>	

(c) "Mi Vivienda – Mi Hogar" Program

As of September 30, 2017, these debts mainly include resources obtained for the social housing program "Mi Vivienda" for S/ 498 million in local currency and US\$ 3 million in foreign currency (S/ 523 million in local currency and US\$ 4 million in foreign currency as of December 31, 2016). This loan has different maturities until September 2037 and accrues interests at an annual effective rate of 7.75% in U.S. dollars and 6.25% in local currency on principal plus the Constant Adjustment index (hereinafter VAC, for its Spanish acronym).

As of September 30, 2017, debts with "Mi Vivienda – Mi Hogar" Fund which amount to S/ 508 million (S/ 536 million as of December 31, 2016) are secured by a portion of the mortgage loan portfolio up to such amount (Note 5). Loans include specific arrangements about how these funds should be used, financial covenants that the borrower must meet, as well as other administrative matters.

(d) Securities and bonds

As of September 30, 2017 and December 31, 2016, securities and bonds have the following details:

In thousands of S/

<u>Program</u>	<u>Authorized amount</u>	<u>Issuance</u>	<u>Series</u>	<u>Currency</u>	<u>Nominal issuance value</u>	<u>Balance at September 2017</u>	<u>Balance at December 2016</u>	<u>Maturity date</u>
Corporate bonds								
Third	USD 100 million or S/. 315 million	Seventh	Single	PEN	60,000	60,000	60,000	May 2018
Fourth	USD 100 million	First	Single	PEN	40,000	40,000	40,000	August 2020
		Second	A	PEN	80,000	80,000	80,000	August 2020
		Third	A	PEN	100,000	100,000	100,000	August 2018
Fifth	USD 250 million	Second	A	PEN	150,000	150,000	150,000	December 2026
		Fifth	Single	PEN	200,000	197,238	187,551	April 2019
Sixth	USD 250 million	First	A	PEN	150,000	150,000	150,000	April 2019
		First	B	PEN	100,000	100,000	100,000	April 2019
		Second	A	PEN	150,000	150,000	150,000	June 2021
First International Issuance	USD 500 million	First	Single	USD	500,000	1,613,813	1,650,674	August 2022
Third International Issuance	USD 500 million	Third	Single	USD	500,000	1,626,539	1,659,507	April 2018
						<u>4,267,590</u>	<u>4,327,732</u>	
Subordinated Bonds								
First	USD 50 million or S/. 158.30 million	Second	A	USD	20,000	64,999	67,120	May 2027
		Third	A	PEN	55,000	77,339	75,653	June 2032
		First	A	PEN	40,000	-	39,821	
Second	USD 100 million	Second	A	PEN	50,000	68,857	67,356	November 2032
		Third	A	USD	20,000	65,300	67,120	February 2028
		Fourth	Single	PEN	45,000	59,804	58,501	July 2023
		Fifth	Single	PEN	50,000	65,591	64,162	September 2023
		Sixth	A	PEN	30,000	38,676	37,834	December 2033
		First	A	USD	20,000	-	66,793	September 2017
		First	Single	USD	45,000	146,926	151,020	October 2028
Third	USD 55 million							
First International Issuance	USD 300 million	First	Single	USD	300,000	945,643	963,585	September 2029
						<u>1,533,135</u>	<u>1,658,965</u>	
Notes								
	USD 235 million	Second	2012-A, 2012-B, 2012-C and 2012-D					
				USD	235,000	241,369	359,971	June 2022
						<u>241,369</u>	<u>359,971</u>	
Leasing bonds								
Second	USD 200 million	First	B	PEN	205,100	205,100	205,100	October 2019
		First	C	PEN	200,000	200,000	-	January 2020
		First	A	PEN	200,000	-	200,000	
						<u>405,100</u>	<u>405,100</u>	
						<u>64,116</u>	<u>112,440</u>	
						<u>72,918</u>	<u>79,360</u>	
						<u>6,584,228</u>	<u>6,943,568</u>	
Negotiable Certificates of Deposit								
Accrued interests payable on securities								

Corporate bonds are unsecured and accrue interests at annual rates in local currency fluctuating between 5.8% and 7.5% as of September 30, 2017 (between 5.8% and 7.5% as of December 31, 2016), and between 3.3% and 5% in foreign currency as of September 30, 2017 (between 3.3% and 5% as of December 31, 2016).

The issuance of corporate bonds for S/ 200 million is hedged with a cross currency swap (CCS). As of September 30, 2017, the Bank has included accumulated adjustments of S/ 3 million for profits to the carrying amount (Note 15-a), which corresponds to the variation of fair value of hedged currency risk (S/12 million of cumulative gains as of December 31, 2016).

In August 2012, the Bank carried out an international issuance for a nominal amount of US\$ 500 million, at an annual fixed rate of 5%, maturing in August 2022. The principal will be fully paid off upon maturity. Likewise, such issuance has a fair value hedged through an IRS, for which the Bank recorded accumulated adjustments of S/ 19 million of profits as of September 30, 2017 (Note 15-a), which corresponds to the variation of fair value of hedged interest rate risk (S/ 27 million as of December 31, 2016 of cumulative gains).

In April 2013, the Bank carried out an international issuance for a nominal amount of US\$ 500 million, at an annual fixed interest rate of 3.25%, maturing in April 2018. Principal will be fully paid off upon maturity. Likewise, such issuance has a fair value hedged through an IRS, for which the Bank recorded accumulated adjustments of S/ 5 million of profits as of September 30, 2017 (Note 15-a), which corresponds to the variation of fair value of hedged interest rate risk (S/ 16 million as of December 31, 2016 of cumulative gains).

In September 2014, the Bank carried out an international issuance of subordinated bonds for a nominal amount of US\$ 300 million, at an annual fixed rate of 5.25%, maturing in September 2029. Principal will be fully paid off upon maturity. Likewise, such issuance has fair value hedge through an IRS, for which the Bank recorded accumulated adjustments of S/28 million for profit to the carrying amount as of September 30, 2017 (Note 15-a), corresponding to the variation of fair value of hedged interest rate risk (S/ 37 million as of December 31, 2016 of cumulative gains).

Subordinated bonds were issued according to the conditions set forth in the General Law, which accrued interests at annual rates oscillating between VAC plus spread and 5.1% in local currency and between 5.3% and 6.5% in foreign currency.

Financial lease bonds accrue interest at an annual rate oscillating between 5.3% and 6.5% in local currency, are secured by loan transactions in the form of financial leases and have been financed by those bonds.

The issuance notes of June, 2012, amounting to US\$ 75 million as of September 30, 2017 (Note 15-b), includes a debt for US\$ 27 million, with maturity date on June, 2022, and has a cash flow hedge through an IRS (Note 15-a). Additionally, these notes include a debt for US\$ 48 million at an annual fixed rate of 5%, with maturity date on June, 2022 and allocated in a fair value hedge through an IRS, for which the Bank has recorded accumulated adjustments of S/ 2 million for profit to the carrying amount as of September 30, 2017, which corresponds to the variation of fair value of hedge interest rate risk (S/ 3 million as of December 31, 2016 of cumulative gains).

As of September 30, 2017 and December 31, 2016, the Bank holds in accounts payable (Note 7) in the statement of financial position a balance of S/ 13 and S/ 16 million, respectively, which correspond to issuance costs.

11. EQUITY

(a) Capital Stock

As of September 30, 2017 and December 31, 2016, the Bank's authorized, issued and fully paid-in capital in accordance with its by-laws is represented by 4,883,119 thousands of outstanding ordinary shares with a face value of S/ 1 each.

The Annual Mandatory Shareholders Meetings held on March 30, 2017 and March 31, 2016, authorized an increase of the capital stock for S/ 482 and S/ 617 million, respectively, by the capitalization of retained earnings and voluntary reserve.

Common shares are listed in the Lima Stock Exchange (BVL). As of September 30, 2017, the stock market value of the Bank's shares was S/ 4.25 per share (S/ 4 per share as of December 31, 2016) with a trading frequency of 100% (100% as of December 31, 2016).

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

<u>Individual capital shareholding</u>	<u>Number of shareholders</u>	<u>Total Shareholding (%)</u>
Up to 1	7,729	3.39
From 1.01 to 5	3	4.47
From 45.01 to 100	2	92.24
	<u>7,734</u>	<u>100.00</u>

(b) Reserves

Pursuant to applicable legal regulations in force, the Bank must reach a legal reserve of no less than 35% of its paid capital. This reserve is established by transferring not less than 10% of its net profit on an annual basis.

At Annual Mandatory Shareholders' Meetings held on March 30, 2017 and March 31, 2016, approved a legal reserve equivalent to the 10% of net profit for 2016 (S/ 134 million) and for 2015 (S/ 137 million), respectively.

(c) Retained earnings

The Annual Mandatory Shareholders' Meetings held on March 30, 2017 and March 31, 2016, authorized the distribution of dividends for approximately S/ 723 and S/ 617 million, respectively.

Dividends from 2016 to be distributed in 2017 are subject to an income tax withholding at 6.8%. Dividends from profit from 2017 and subsequent periods are subject to income tax withholding at 5%.

The Annual Mandatory Shareholders' Meetings held on March 30, 2017 and March 31, 2016, authorized the capitalization of retained earnings for S/ 482 and S/ 617 million, respectively.

(d) Adjustments to equity

Adjustments to equity include S/ 0.5 million of unrealized profit corresponding to the available-for-sale investment portfolio (S/ 3.2 million as of December 31, 2016), S/ 2.4 million corresponding to unrealized profit of held-to-maturity investments (S/ 2.2 million as of December 31, 2016) and S/ 0.5 million for unrealized gains for the valuation of cash flow hedge derivatives (S/ 1.3 million for unrealized profit as of December 31, 2016).

12. REGULATORY CAPITAL AND LEGAL LIMITS

According to the General Law, the regulatory capital amount cannot be less than 10% of credit, market and operational risk average weighted assets which include contingent loans. As of September 30, 2017, the Bank and BBVA Consumer Finance EDPYME use the standard method for the calculation of the Regulatory Capital by credit, market and operational risk.

On an individual basis, as of September 30, 2017, the Regulatory Capital of the Bank and BBVA Consumer Finance EDPYME, determined in accordance with current legal standards, amounts to S/ 9,000 million (S/ 9,001 million as of December 31, 2016) and S/ 71 million (S/ 60 million as of December 31, 2016), respectively. This amount is used to calculate certain limits and restrictions applicable to all financial entities in Peru. In Grupo Continental's Management opinion, such limits and restrictions have been fully met.

Assets and contingent loans weighted by credit, market and operational risks of the Bank and Edpyme, in accordance with current legal standards, amount to S/ 61,641 million (S/ 63,146 million as of December 31, 2016) and S/ 490 million (S/ 369 million, as of December 31, 2016), respectively.

As of September 30, 2017, the capital adequacy ratio by credit, market and operational risk of the Bank and BBVA Consumer Finance EDPYME was 14.60% and 14.57%, respectively (14.25% and 16.28% as of December 31, 2016).

13. BASIC AND DILUTED EARNINGS PER SHARE

The basic and diluted earnings per share were as follows:

	Quantity of shares (in millions)	
	2017	2016
In circulation at the beginning of the period	4,401,368	3,784,146
Capitalization of profits	481,751	1,098,973
In circulation at the end of the period	4,883,119	4,883,119
Net profit for the period (in thousands of Soles)	999,983	977,374
Basic and diluted earnings per share (in Soles)	0.205	0.200

14. TRANSACTIONS WITH RELATED PARTIES

As of September 30, 2017 and December 31, 2016, Grupo Continental has granted loans, provided and requested banking services, correspondent relations, transactions involving financial derivatives booked at their face values, among others, with related companies, whose balances are shown below:

In thousands of S/	2017	2016
Assets:		
Cash and due from banks	889	13,460
Loans portfolio	628,669	447,758
Other assets	332,544	271,849
Liabilities:		
Deposits and obligations	1,009,044	1,162,259
Due to banks and financial obligations	57,651	62,221
Other liabilities	305,398	508,988
Contingent and memorandum accounts:		
Contingent	8,645,194	9,018,767

Transactions of Grupo Continental with related companies have been carried out in the normal course of business and subject to the same conditions that would have been applied to third parties.

Transactions with related companies, included in the consolidated statement of income for the periods ended September 30, 2017 and September 30, 2016 consisted of the following:

In thousands of S/	<u>2017</u>	<u>2016</u>
Financial income	1,568	1,830
Financial expenses	(7,605)	(527)
Other income (expenses), net	(60,059)	(72,904)

Personnel Loans

As of September 30, 2017 and December 31, 2016, directors, executives and employees of the bank and BBVA Consumer Finance EDPYME, maintain transactions with the Bank within the provisions of the Peruvian General Law, which regulates and establishes certain limits on transactions with directors, executives and employees of banks in Peru. As of September 30, 2017 and December 31, 2016, direct loans to employees, directors, executives and key personnel amounted to S/ 406 million respectively.

Likewise, as of September 30, 2017 and 2016, salaries of key personnel and allowances to the Board of Directors amounted to S/ 8 million.

15. CONTINGENT AND MEMORANDA ACCOUNTS

a) Derivatives financial instruments

As of September 30, 2017 and December 31, 2016, the notional amount equivalent in thousands of soles and the fair value of derivative financial instruments were as follows:

In thousands of S/

		2017			
		Underlying	Nominal	Asset	Liability
Trading derivatives					
	Currency forward		10,888,917	81,129	70,044
	Fx options, equity options and other options		1,247,410	23,012	23,012
	Interest rate options		41,057	-	-
	Cross currency swap		5,850,160	405,033	318,141
	Interest rate swap		5,378,039	26,463	36,086
	Provision for country risk		-	(4,664)	-
	Total trading derivatives		23,405,583	530,973	447,283
Hedging derivatives					
	At fair value (i)		5,788,659	-	121,091
	Cross currency swap	Bond issuance	246,321	-	48,133
	Interest rate swap	Due to banks	1,297,838	-	18,876
	Interest rate swap	Bond issuance	4,244,500	-	54,082
	Cash flow (ii)				
	Interest rate swap	Due to banks	88,621	743	
	Total hedging derivatives		5,877,280	743	121,091
	TOTAL		29,282,863	531,716	568,374
		2016			
		Underlying	Nominal	Asset	Liability
Trading derivatives					
	Currency forward		9,567,860	195,042	108,524
	Fx options, equity options and other options		1,158,665	18,881	18,881
	Interest rate options		137,123	24	240
	Cross currency swap		6,919,265	606,733	541,325
	Interest rate swap		5,842,547	23,349	41,618
	Provision for country risk		-	(5,314)	-
	Total trading derivatives		23,625,460	838,715	710,588
Hedging derivatives					
	At fair value (i)		7,653,167	1,910	161,476
	Cross currency swap	Bond issuance	253,187	-	65,253
	Interest rate swap	Due to banks	3,037,180	1,910	21,168
	Interest rate swap	Bond issuance	4,362,800	-	75,055
	Cash flow (ii)		266,562	1,679	215
	Interest rate swap	Due to banks	105,474	783	-
	Cross currency swap	Due to banks	161,088	896	215
	Total hedging derivatives		7,919,729	3,589	161,691
	TOTAL		31,545,189	842,304	872,279

Hedging derivative at fair value

- (i) As of September 30, 2017, the Bank has entered into a cross currency swap (CCS) to hedge the fair value of bonds issued for a nominal value equivalent to S/ 246 million. Through this CCS, the Bank changes its issuance in local currency at a fixed rate into U.S. dollars at a variable rate. As of September 30, 2017, the fair value of CCS amounts to a profit of S/ 10 million, which is included in "Profit/loss from financial operations" in the consolidated statement of income (as of December 31, 2016, the fair value amounted to a gain of S/ 12 million).

As of September 30, 2017, the Bank has contracted interest-rate swaps (IRS) for a nominal amount equivalent to S/ 5,542 million to hedge interest-rates for debts received and issuance of bonds. Through this IRS, the Bank receives a fixed interest rate in U.S. dollars and pays at a variable interest rate in the same currency. As of September 30, 2017, total variation in the fair value of IRS amounts to a profit of S/ 28 million, which is included in "Profit/loss from financial operations" in the consolidated statement of income (as of December 31, 2016, the variation in fair value amounted to a loss of S/ 54 million).

Cash flows hedging derivative

- (ii) As of September 30, 2017, the Bank has contracted interest-rate swaps (IRS) for a nominal amount equivalent to S/ 89 million to hedge interest rates of debts received. Through the IRS, the Bank obtains a variable interest rate in U.S. dollars and pays at a fixed interest rate in the same currency. As of September 30, 2017, the variation in the fair value of IRS amounts to a profit of S/ 0.6 million and is recorded in equity accounts (profit of S/ 0.6 million as of December 31, 2016).

b) Other Creditors

In June 2012, Continental DPR Finance Company placed an issue via a private notes issue (debt instruments), which amounted to US\$ 75 million as of September 30, 2017. This note issue matures on June 15, 2022. All notes have quarterly coupons. The series C and D consider three years grace period. Accrue interest at Libor plus a spread, except for part of the 10-year issue for US\$ 48 million, which was issued at a fixed rate (Note 10).

The liabilities issued by Continental DPR Finance Company are secured with the Bank's selling to Continental DPR Finance Company of the present and future flows generated by electronic payment orders of customers (Diversified Payments Rights - DPRs), sent to the Bank using the SWIFT (Society for Worldwide Interbank Financial Telecommunications Network) system.

These debts include standard clauses regarding the compliance with financial ratios of the Bank and other specific conditions related to flows granted, over which, Grupo Continental Management believes that, as of September 30, 2017, these clauses are being fully complied with.

16. INTEREST INCOME

Interest income for the nine-month period ended September 30, 2017, compared to the same period on 2016 decreased by 3%, mainly due to the net effect of decreased interests from loans portfolio and hedging operations, and the increase of available for sale investments, investment at fair value through profit or loss and cash and due from banks interest.

17. INTEREST EXPENSE

Interest expense for the nine-month period ended September 30, 2017, compared to the same period on 2016 decreased by 6%, mainly due to the net effect of increased of interest in obligations to the public and decrease of interest in due to banks and financial obligations, interest for interbank funds and interest for accounts payable related to the currency repurchased agreement transactions with BCRP.

18. ADMINISTRATION EXPENSES

During the nine-month period ended September 30, 2017, compared to the same period on 2016, administrative expenses decreased by 5%. This category includes personnel expenses, expenses for services received from third parties and taxes and contributions.

19. FEES (NET)

During the nine-month period ended September 30, 2017, compared to the same period on 2016, income and expenses from financial services decreased by 1%. This category includes commissions for contingent transaction operations and other income and expenses.

20. SUBSEQUENT EVENTS

We are not aware of any subsequent events that may have occurred from the closing date of the financial statements to the reporting date that may have a significant impact on those financial statements.