

# BBVA CONTINENTAL

## Investors Report

Fourth Quarter 2017

BBVA Continental

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Financial System

**02** BBVA Continental

**03** Investment Highlights

**04** Ratings

**05** Social Responsibility  
and Awards

Appendix  
Issued Debt

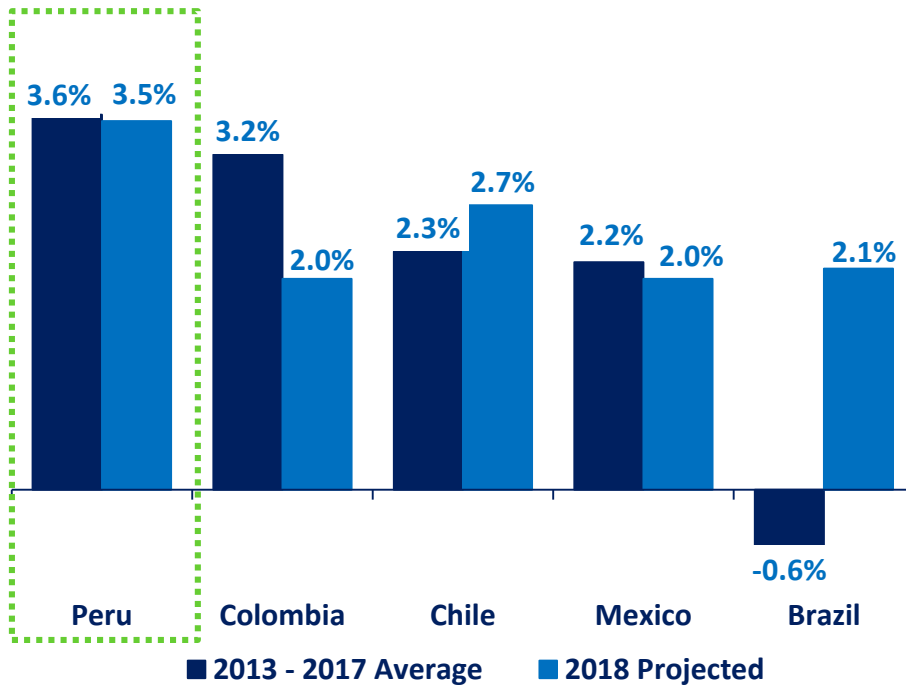


# 01

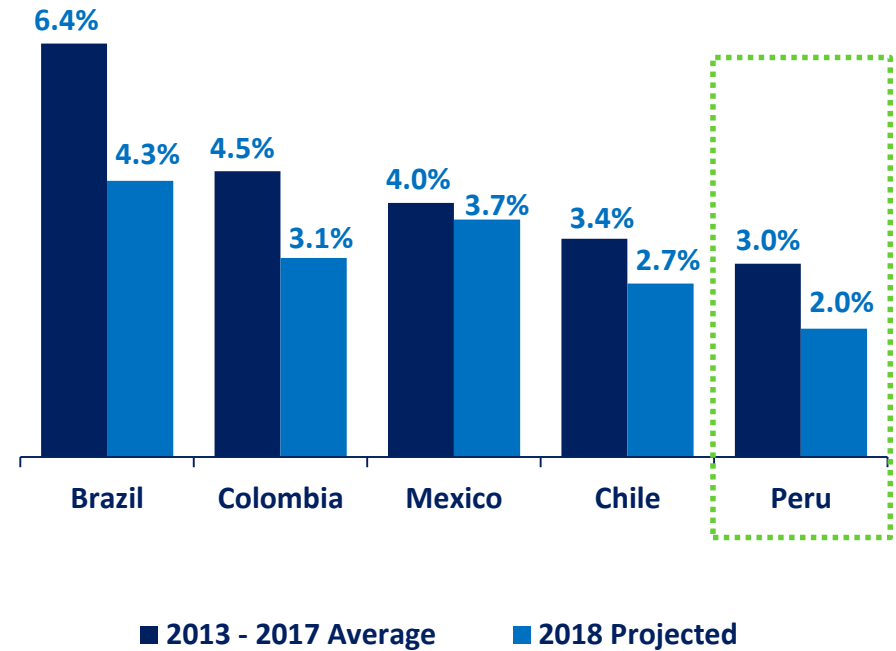
## Peruvian Economy & Financial System

# Peru: one of the most stable and fastest-growing economies in the region

**GDP Growth (Real)**

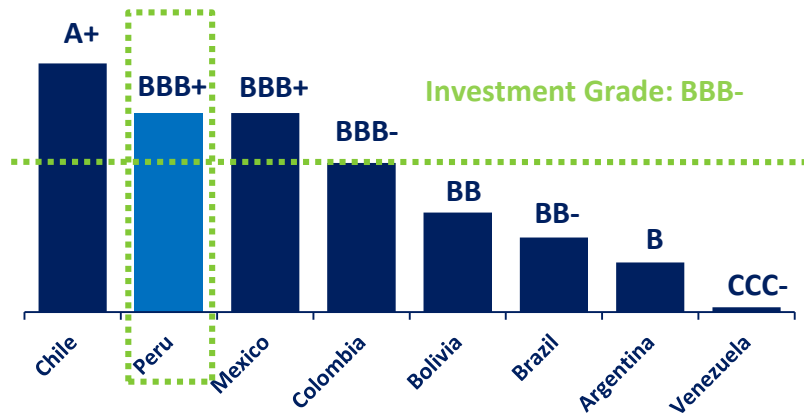


**Inflation (End of Period)**



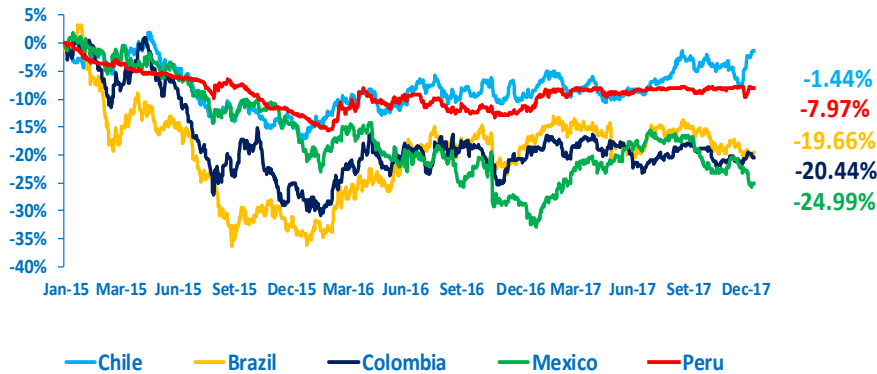
# With sovereign investment grade, relatively stable currency and low indebtedness

## Credit Risk Profile



Source: Standard & Poor's

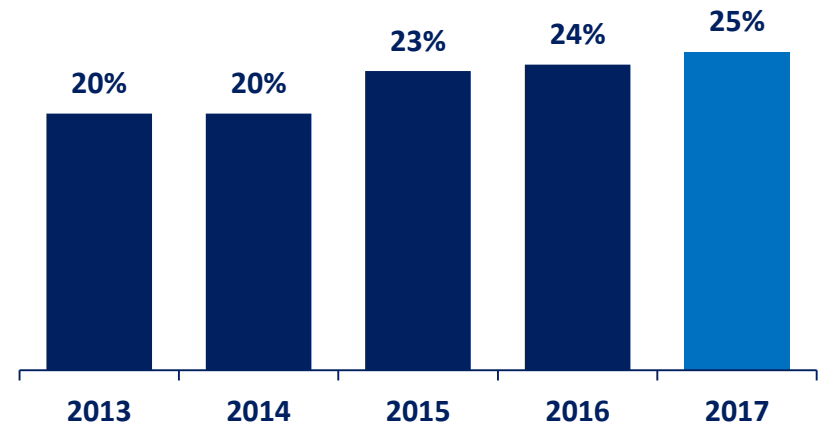
## Currency depreciation against USD



Source: Bloomberg

## Peruvian Public Debt (% of GDP)

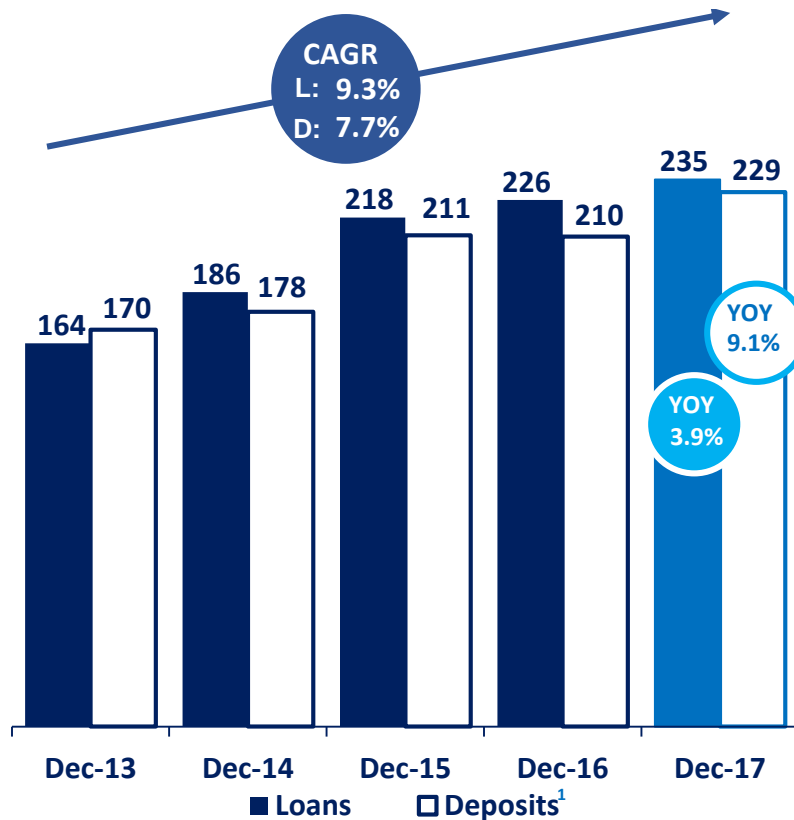
48.8% Average debt of the General Government / GDP for countries with BBB+ rating for 2017



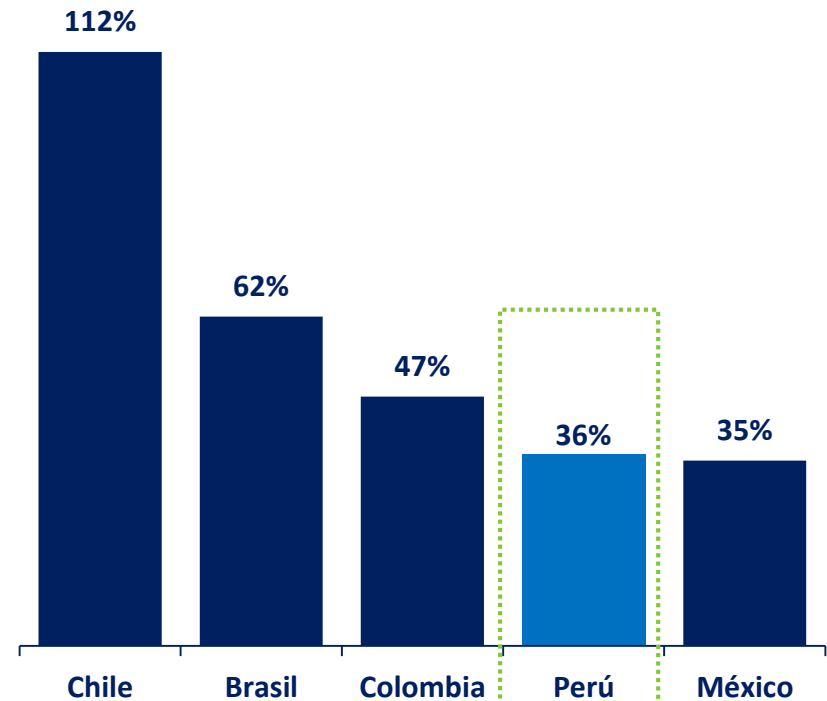
Source: BCRP

# Peru has a solid Financial System with great opportunities to expand

Performing loans and Deposits (S/Billions)



Loans to private sector (% of GDP, 2016)



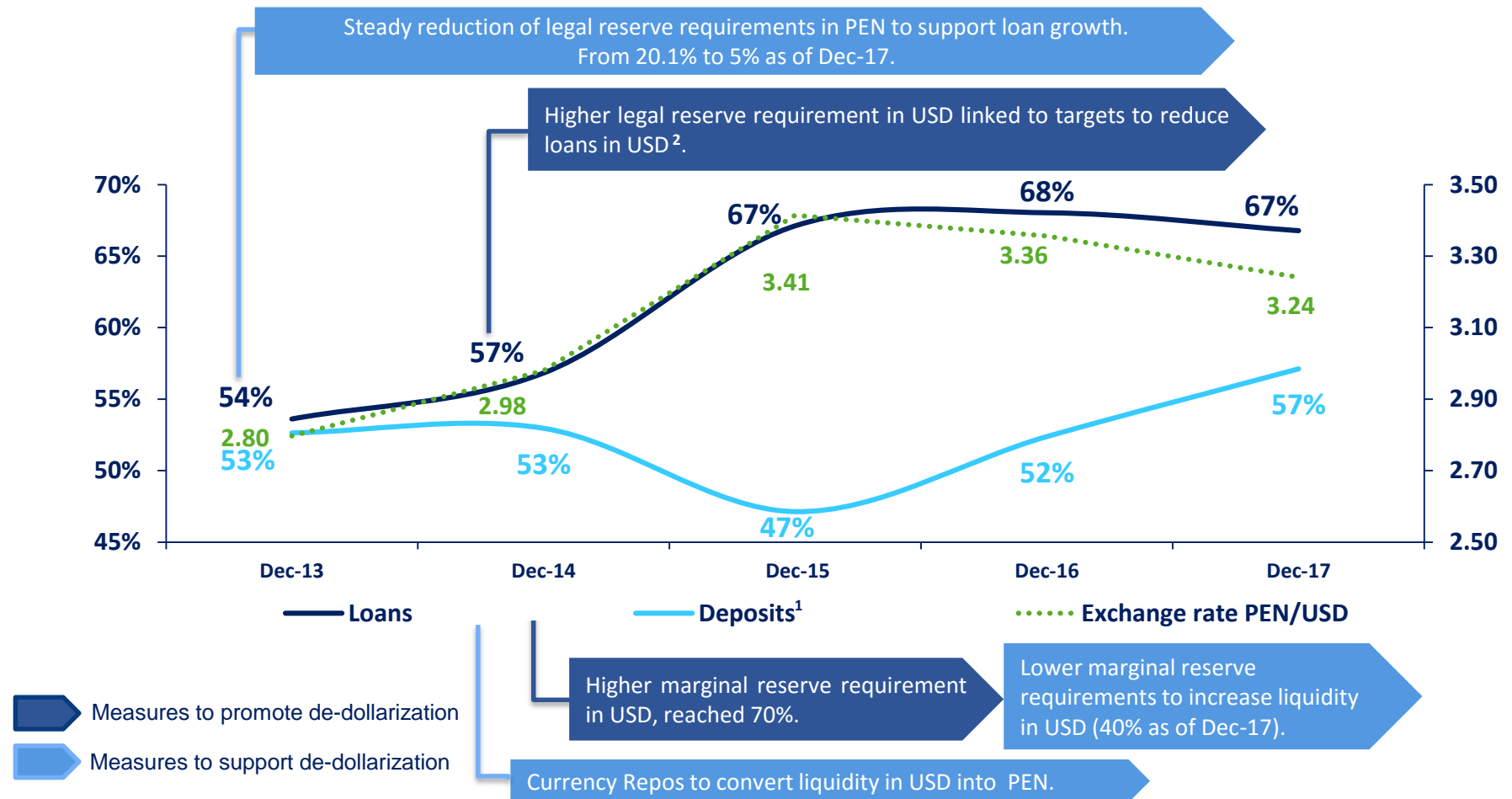
<sup>1</sup> Other obligations are excluded from deposits

Source: Superintendencia de Banca, Seguros y AFP (SBS) / World Bank (WB)

# and a Central Bank that promotes PEN denomination of Loans

## Domestic currency Loans & Deposits

(% Total Loans & Deposits)



<sup>1</sup> Other obligations are excluded from deposits

<sup>2</sup> Excluded operations higher than USD10MM and 3 years from June 2015

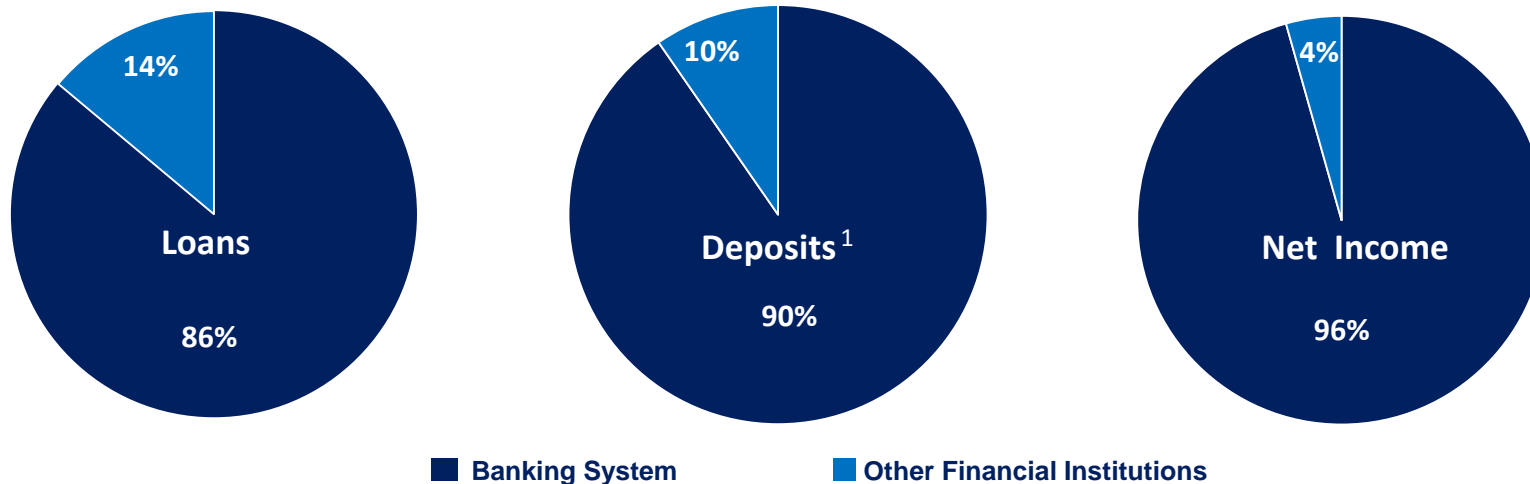
Source: SBS & BCRP



# Peruvian Financial System (September 2017)

Financial system	Institution S/ Million	Net loans Set-17	Deposits Set-17	Net Income Set-17
Banking system	Banks (16)	226,977	220,587	5,453
	Banco de la Nación	8,472	21,755	554
Other financial institutions	Cajas Municipales (12)	17,477	18,261	295
	Financieras (11)	9,767	6,507	226
	Cajas Rurales (6)	1,249	1,025	-5
	Edpymes (10)	1,772	-	5
	Leasing (2)	192	-	-4
	COFIDE	6,386	86	-68
	Agrobanco	1,191	-	-173

The four largest banks concentrate around 83% of the banks loans and deposits



<sup>1</sup> Other obligations are excluded from deposits  
Source: SBS

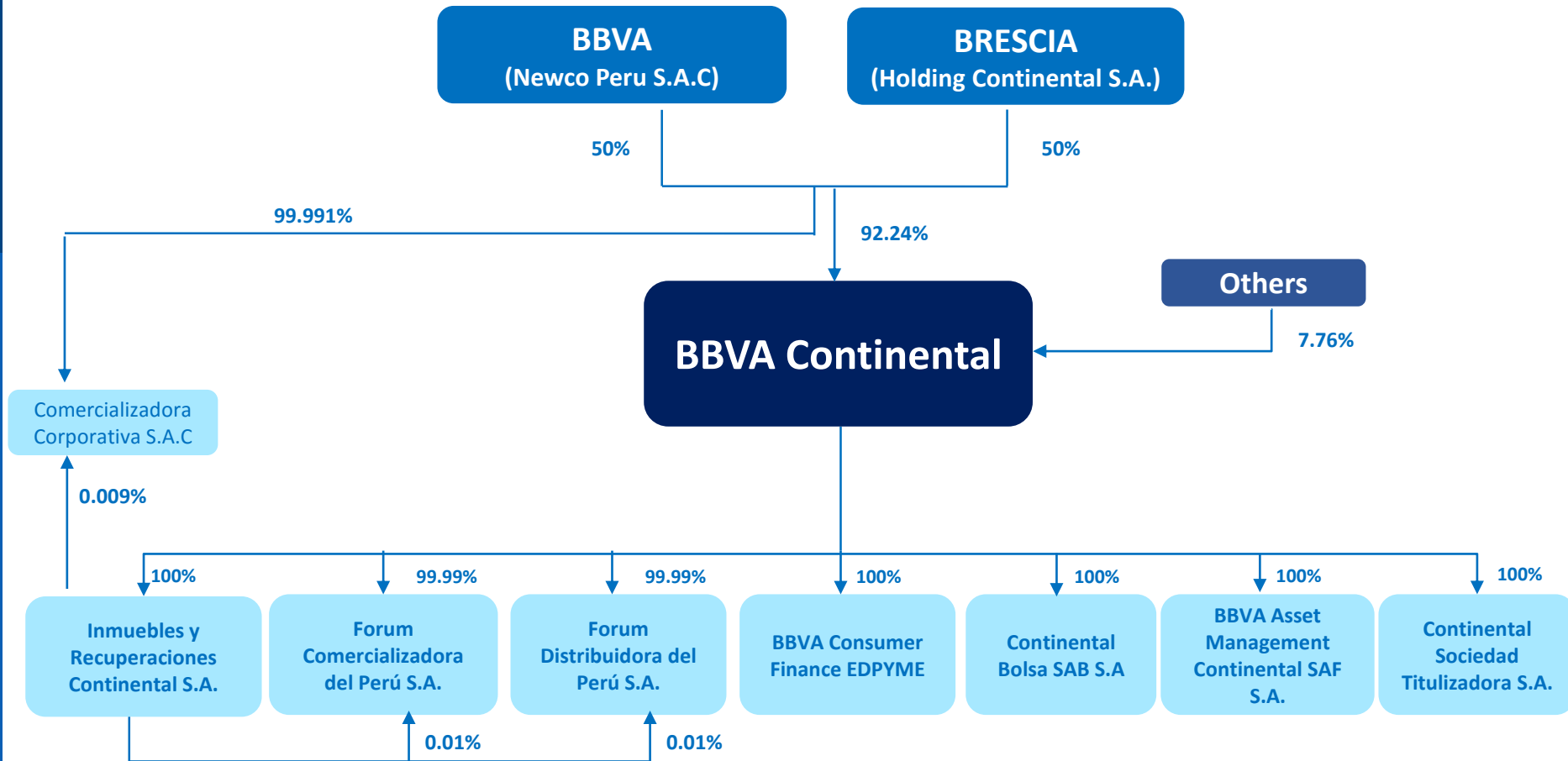


02

**BBVA Continental**

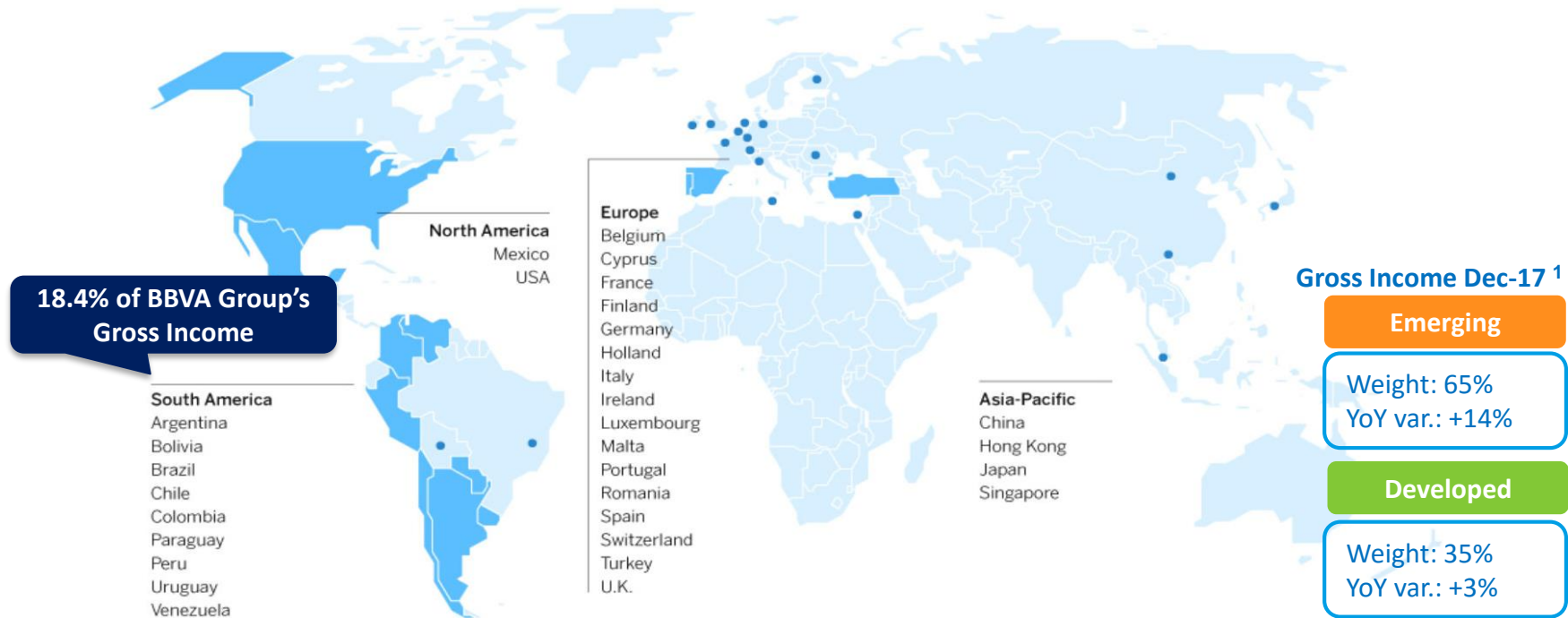
# Shareholders

BBVA Continental and Subsidiaries are part of the Economic Group formed by BBVA Group and Breca:



# BBVA Group (December 2017)

Appropriate balance between developed and emerging markets that allows the BBVA Group to diversify its sources of income by providing a high degree of recurrence in their results



**€690**  
billion in total assets

**72**  
million customers

**>30**  
countries

**8,271**  
branches

**31,688**  
ATMs

**131,856**  
employees

<sup>1</sup> Excludes Corporate activities; YoY change in constant Euros  
Source: BBVA Group

# Principles of liquidity and capital management of BBVA Group

Self-sufficient subsidiaries from a liquidity point of view, with robust supervision and control by parent company

Retail profile of BBVA Group balance sheet with limited dependence on wholesale funding

Parent and subsidiaries proven ability to access the wholesale funding markets (medium & long term) on a regular basis

Ample high quality collateral available, compliant with regulatory liquidity requirements at a Group and Subsidiary level

## B Subsidiaries

- Self-sufficient balance-sheet management
- Own capital and liquidity management
- Market access with its own credit, name and rating
- Responsible for doing business locally

## Corporate Center

- Guidelines for capital and liquidity / ALCO supervision
- Common risk culture

*Decentralized model*

## 😊 Advantages

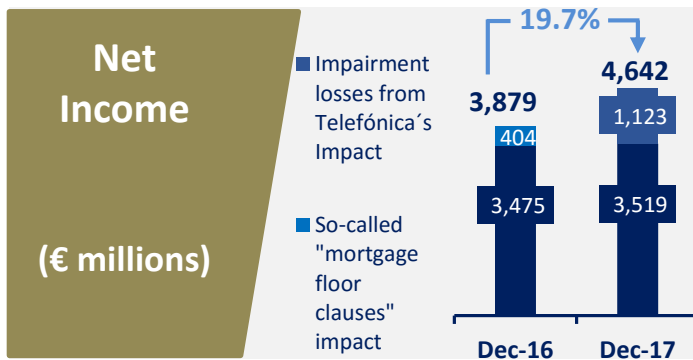
- Market discipline and proper incentives / sustainable credit growth
- Medium term orientation / consistent with retail banking
- Natural firewalls / limited contagion
- Safeguards financial stability / proven resilience during the crisis
- Helps development of local capital markets
- Buffers in different balance sheets

No liquidity transfers between the parent and subsidiaries or among subsidiaries

# Highlights - BBVA Group

ROE	6.4%
ROA	0.68%
Assets (€ millions)	690,059

Cost Control (YoY, %)	Operating Expenses	Gross Margin
	<b>-2.3%</b>	<b>+ 7.7%</b>



Digital Strategy  
(YoY, %)



## Great Asset Quality

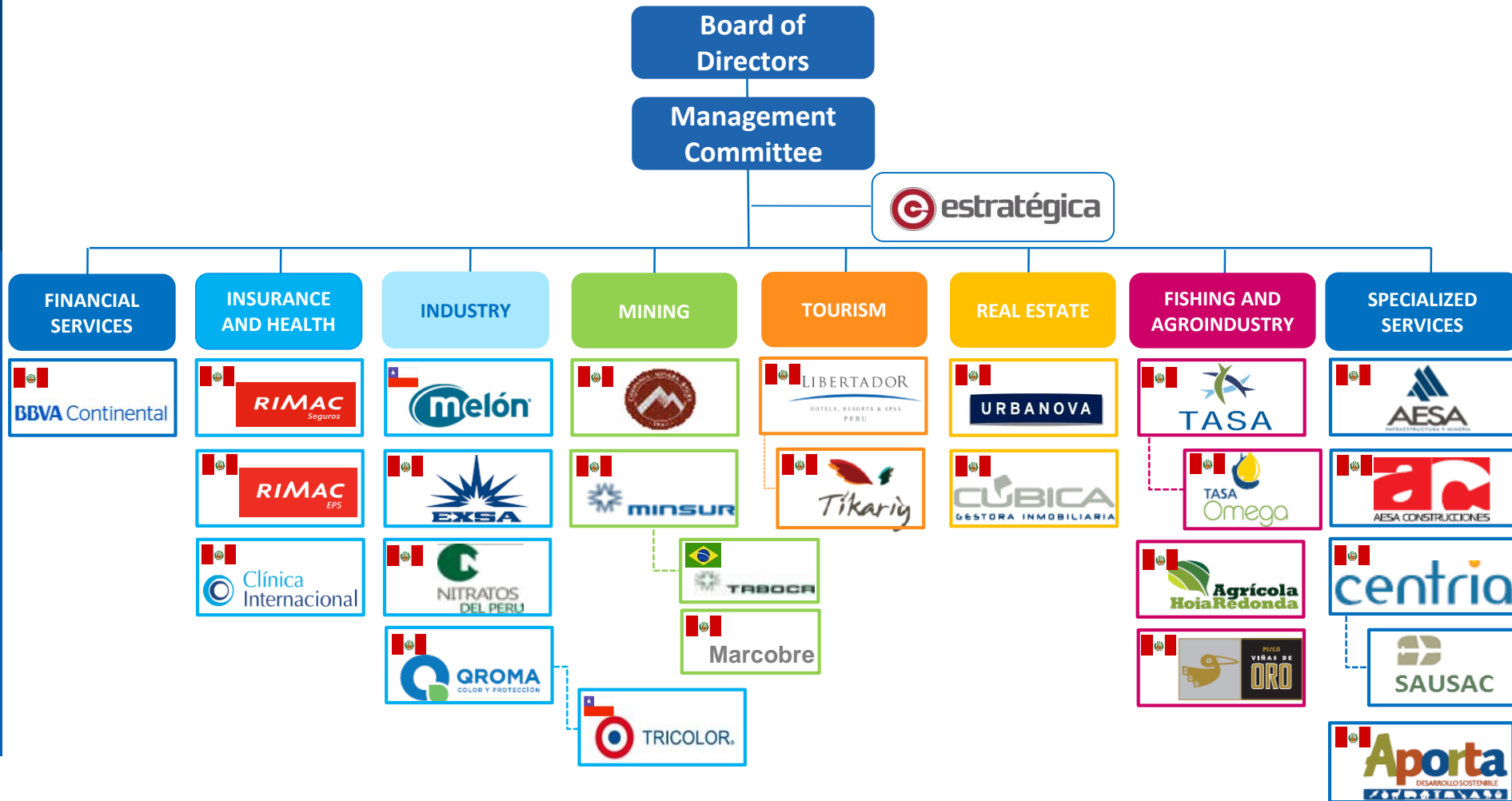
NPL	4.4%
Cost of Risk	0.87%
Coverage Ratio	65%

## Strong Capital & Liquidity Ratios

Global Capital	CET1
15.4%	11.7%
Liquidity Coverage Ratio	> 100%

# Breca

Business group founded by the Brescia Cafferata family, is one of the largest business conglomerates in Peru, with operations in Peru, Chile and Brazil





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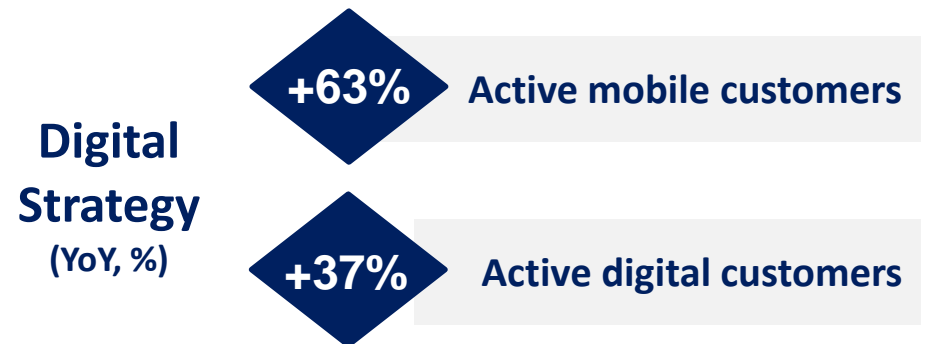
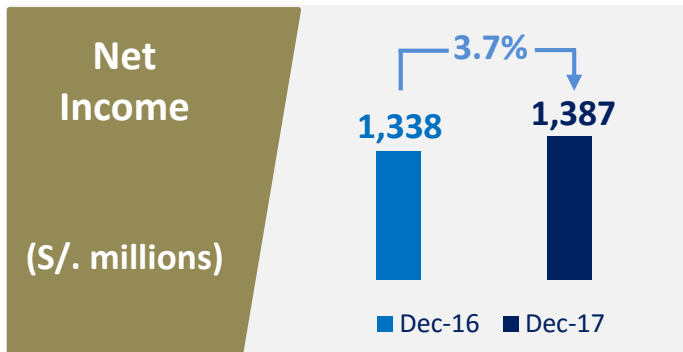
## Investment Highlights



# Highlights - BBVA Continental

ROE	19.52%
ROA	1.83%
Assets (S/. millions)	76,591

Cost Control	Efficiency Ratio	Operating Expenses
	<b>37.89%</b>	<b>- 2.3%</b> (YoY, %)



## Great Asset Quality

NPL	2.68%
Cost of Risk	1.27%
Coverage Ratio	168.49%

## Strong Capital & Liquidity Ratios

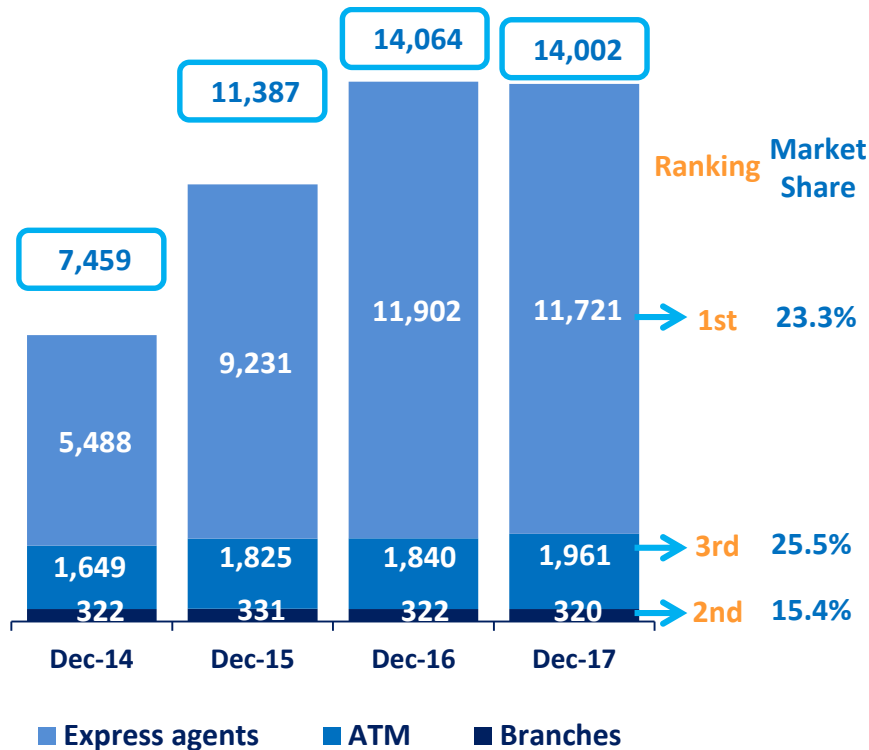
Global Capital	CET1
14.20%	9.92%
Loan-To-Deposit	101.6%

# Strong banking platform

## Distribution network<sup>1</sup>

One of the largest in the country

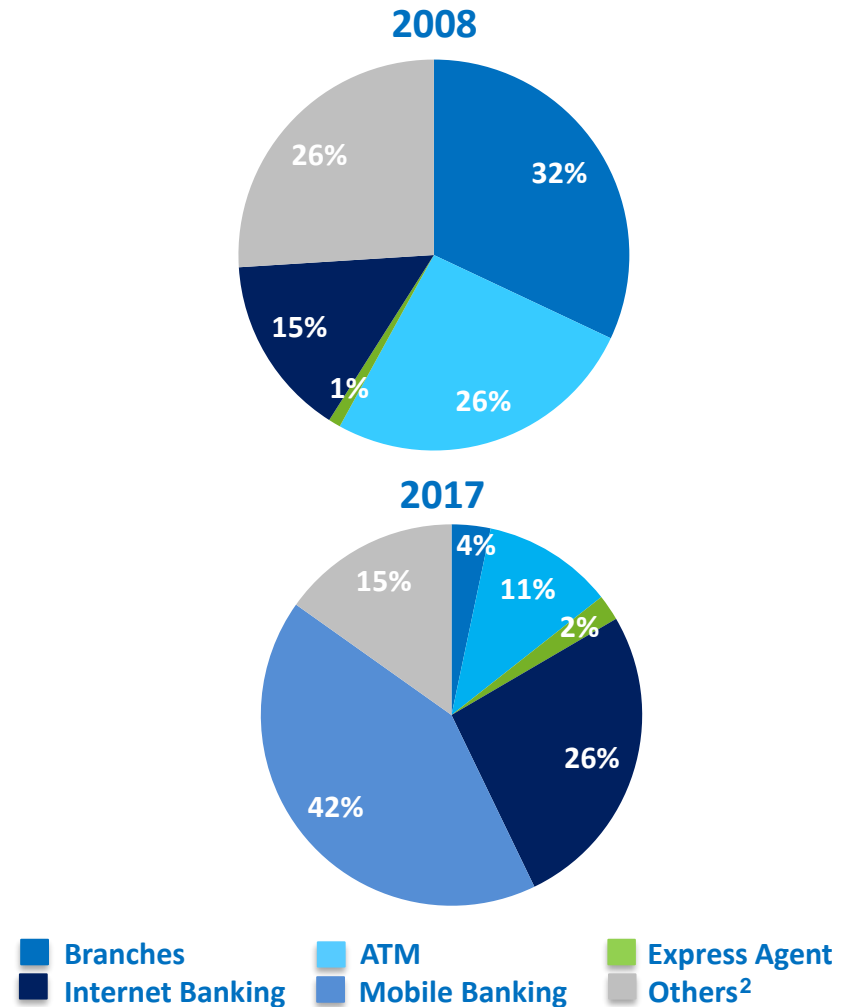
- ✓ 14,002 points of service
- ✓ More than 4.5 million customers



1 Source: ATM & Express agents from ASBANC, Branches from SBS  
 2 Other channels include Telephone Banking, POS, Net Cash and Automatic debit.  
 Source: SBS & BBVA Continental

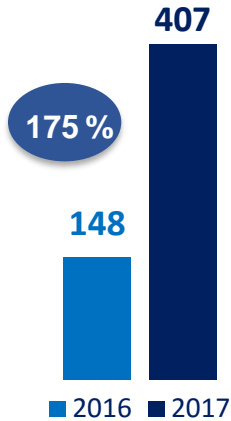
## Evolution in transactions per channel

(December 2017)

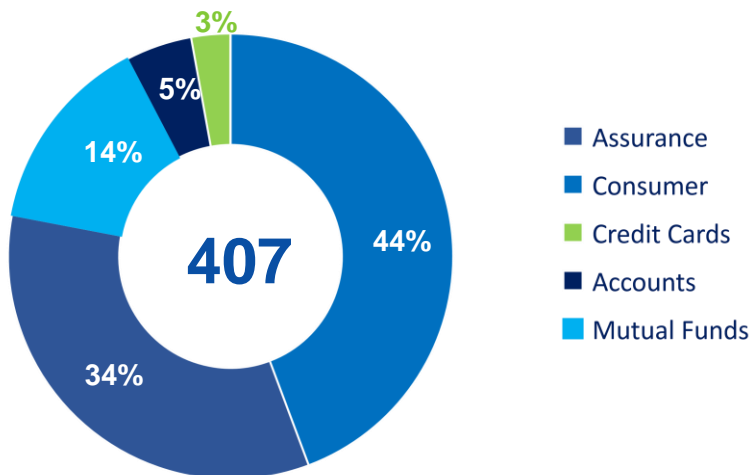


# With the purpose of being the leading digital bank in the region

## Digital sales YTD – Units (thousands)



## Digital sales by product

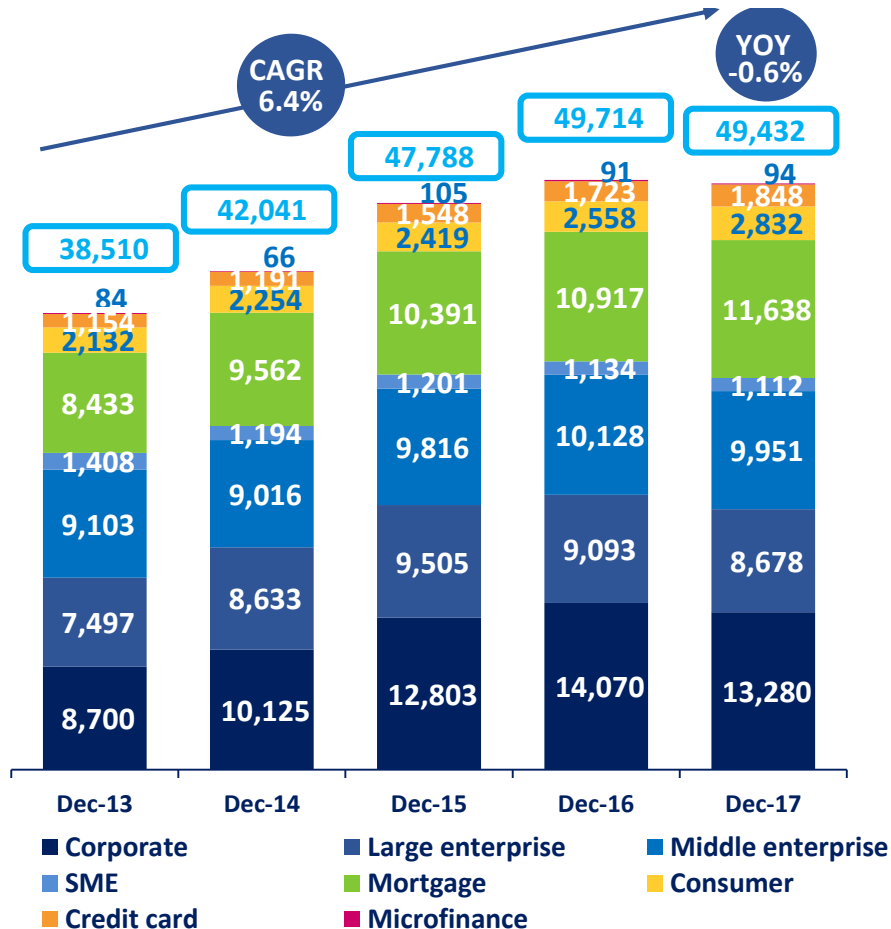


## Main growth drivers

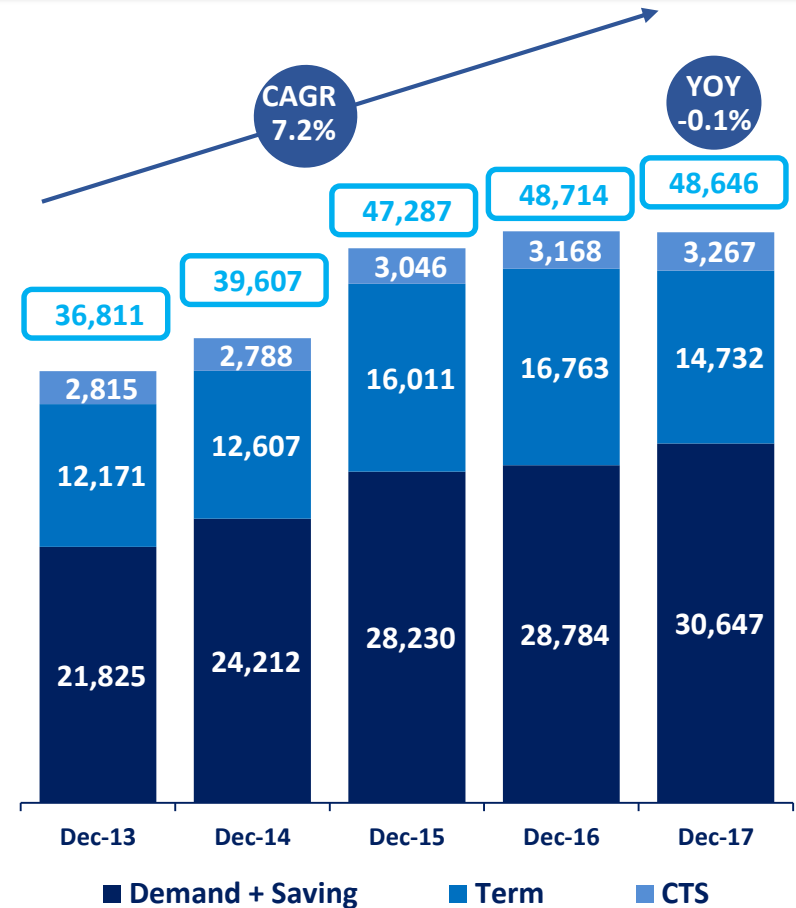
- 1 **Product digitalization**
  - New products sales by digital channels: opening accounts, additional credit cards, assurance, One-click credit cards and mortgages
- 2 **Clients digitalization and branches incentives**
- 3 **Digital sales team consolidation**
- 4 **Post-lead management and risks**
- 5 **Servers monitoring and stability**

# Loans and Deposits Performance (\$/ Million, %)

## Performing loans

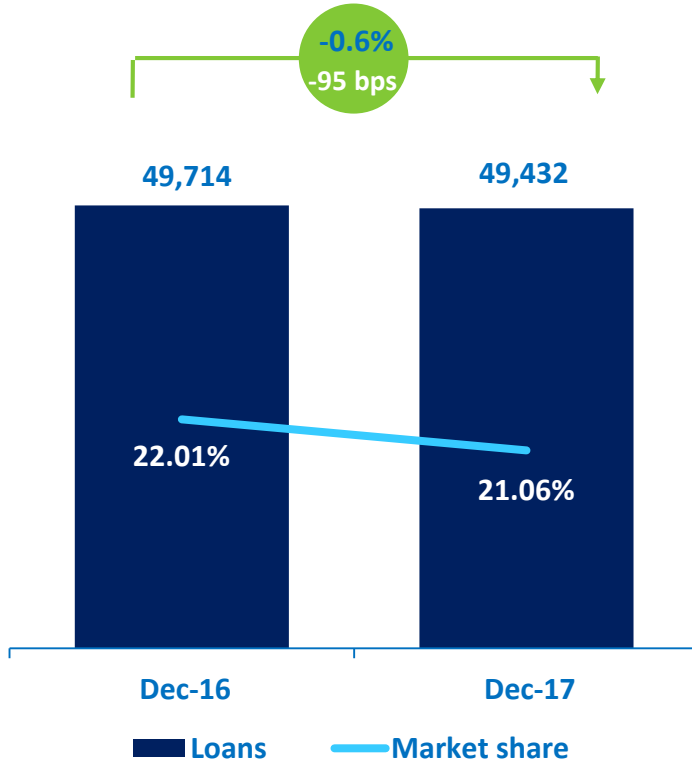


## Deposits<sup>1</sup>



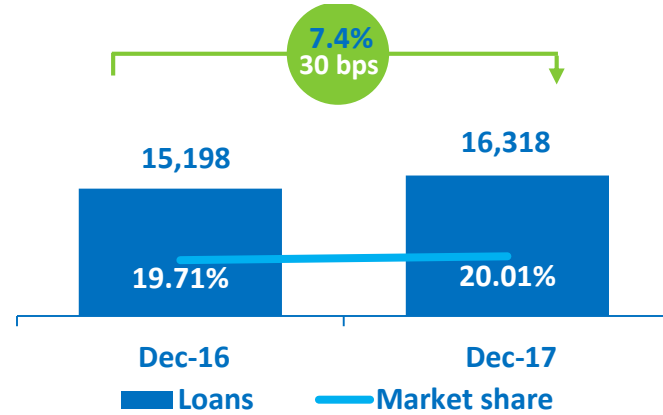
<sup>1</sup>Other obligations are excluded from deposits  
Source: SBS

## Performing loans (S/ Million, %)



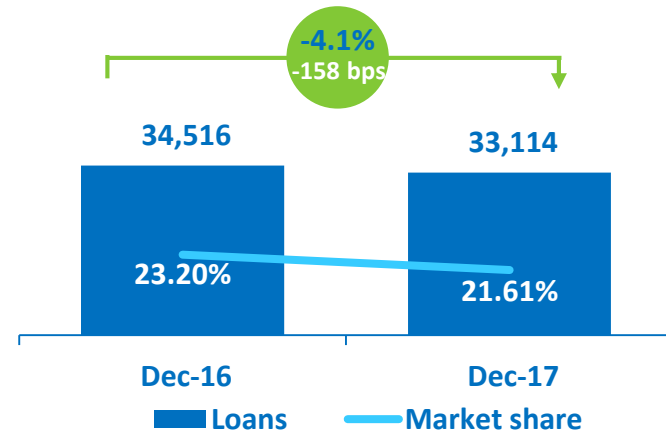
Banking System	234,767
YOY Variation	3.9%

## Retail Loans



Banking System	81,556
YOY Variation	5.8%

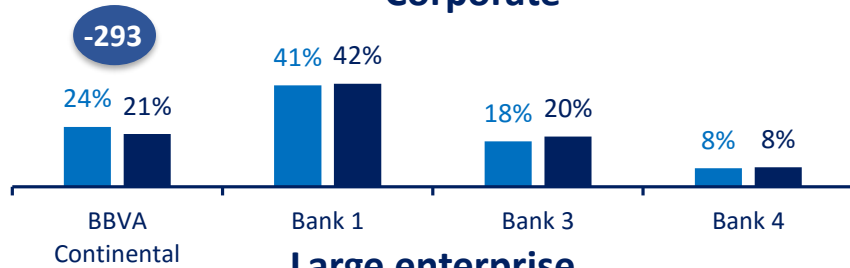
## Business Loans



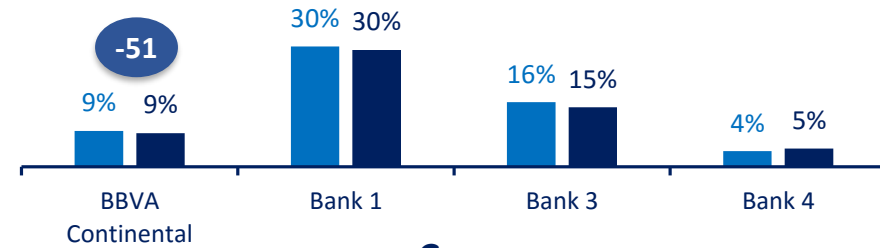
Banking System	153,212
YOY Variation	3.0%

# Market Share - Loans

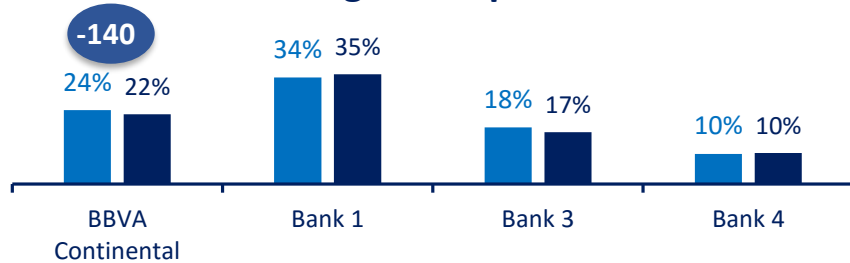
## Corporate



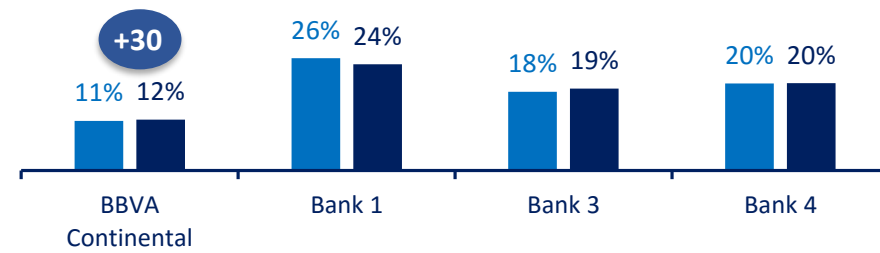
## SME



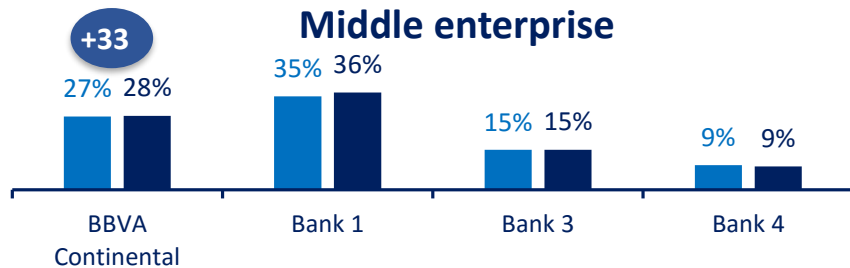
## Large enterprise



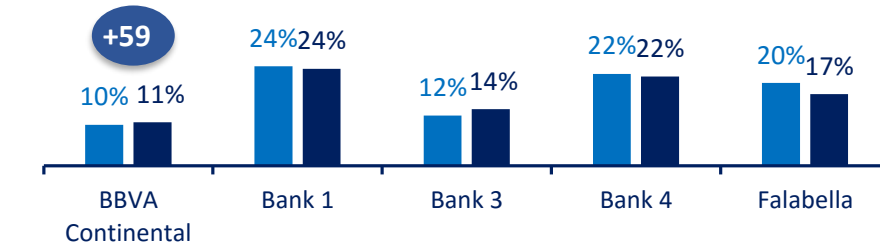
## Consumer



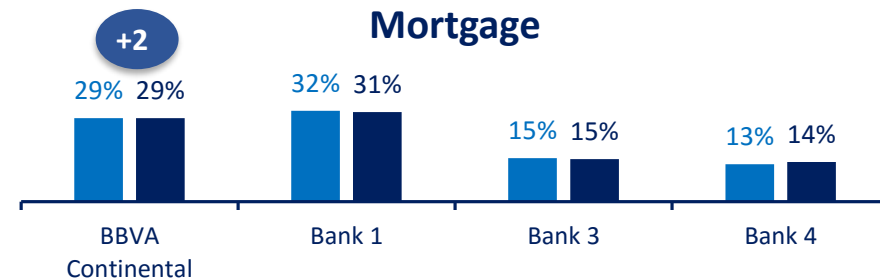
## Middle enterprise



## Credit card



## Mortgage



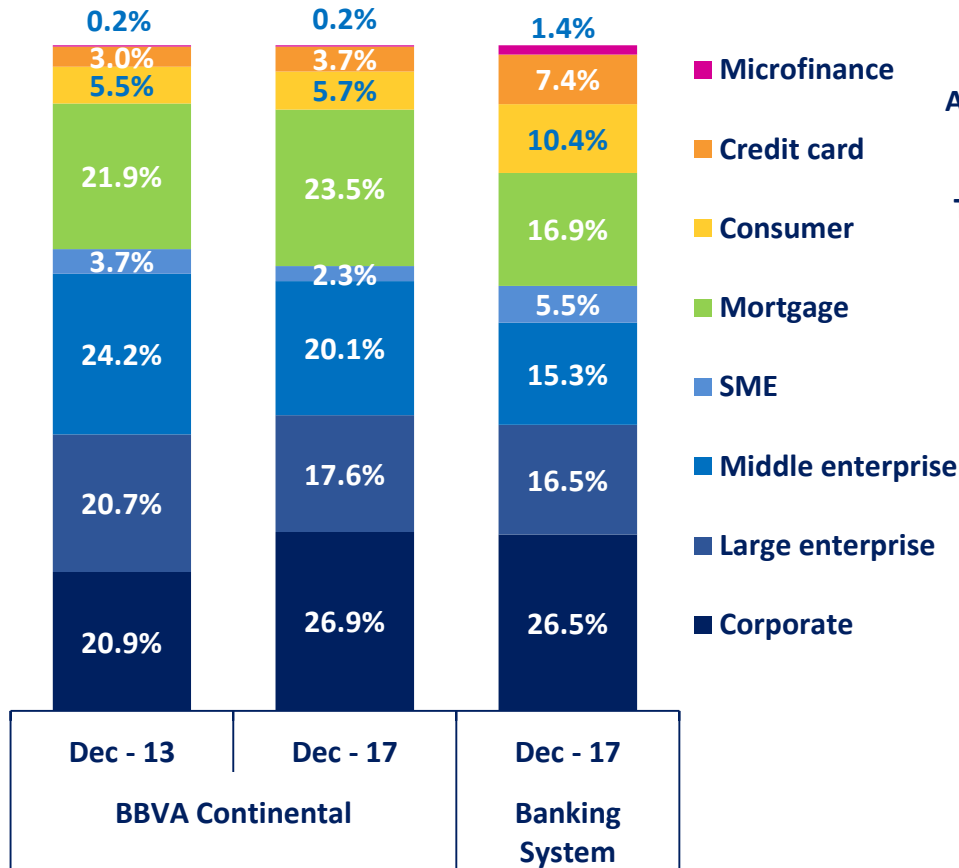
● YoY changes in basis points.

■ Dec-16 ■ Dec-17

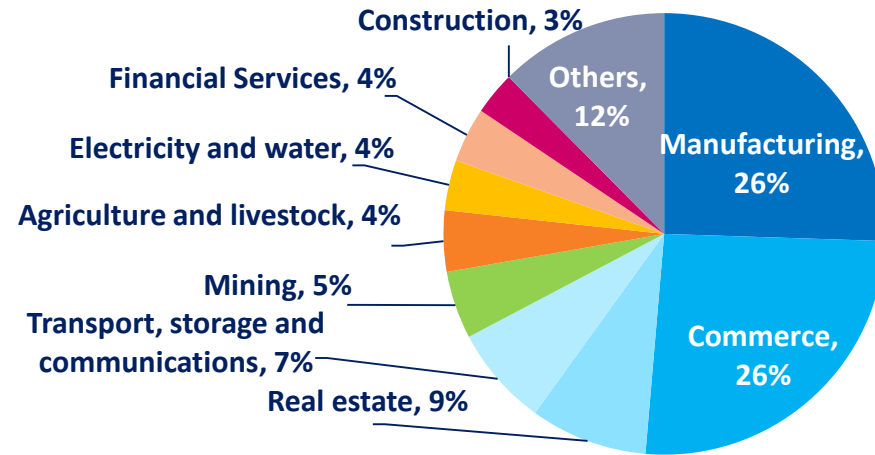
# High quality of loan portfolio

(December 2017)

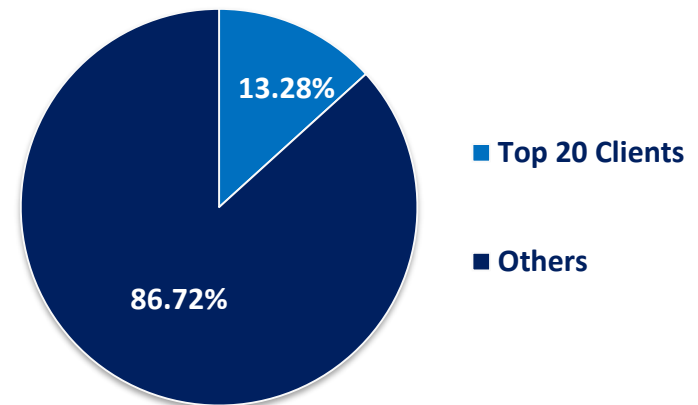
## Loans breakdown



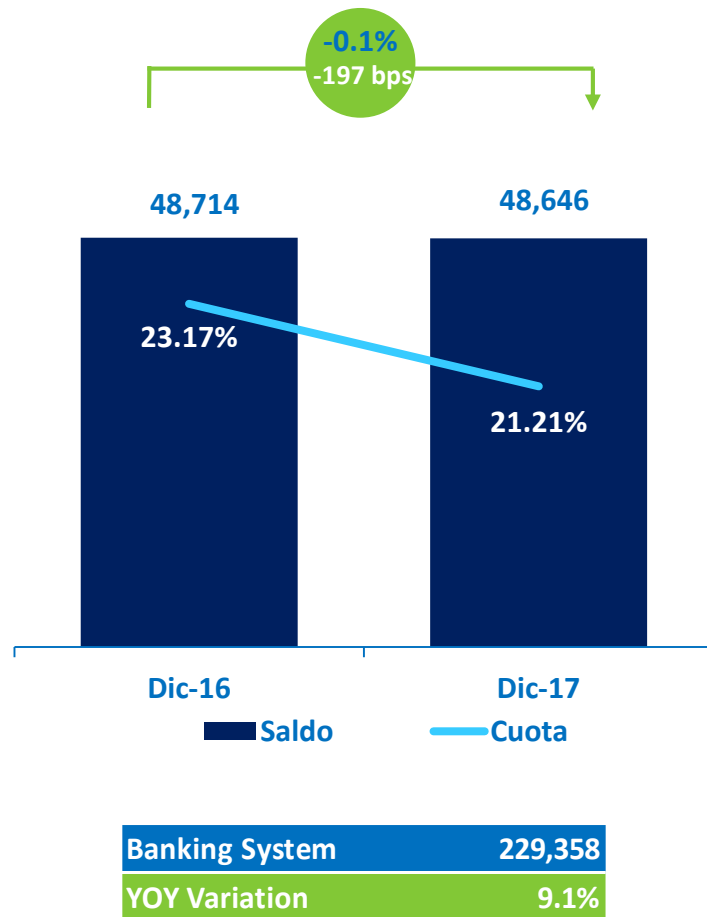
## Loans by economic sector



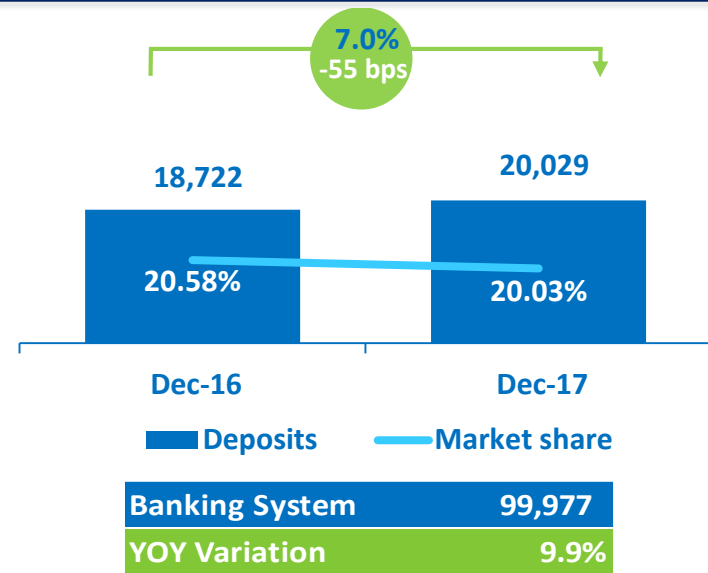
## Concentration Risk



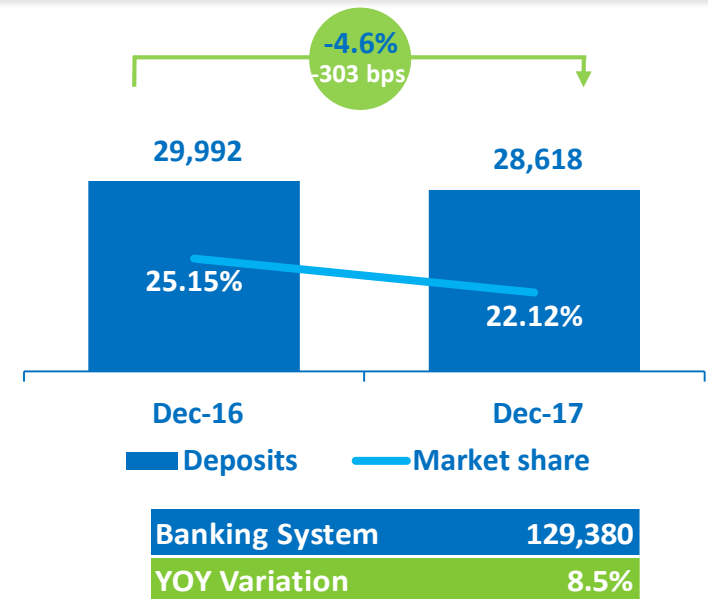
# Deposits (S/ Million, %)



## Retail Deposits



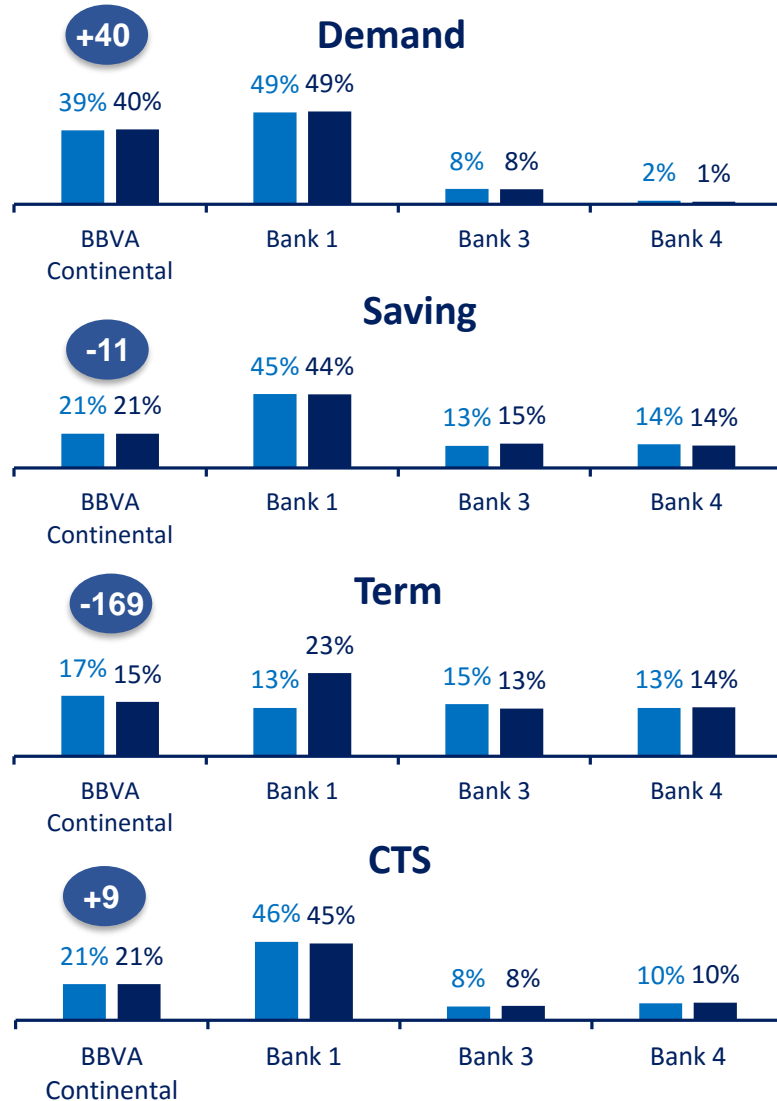
## Business Deposits



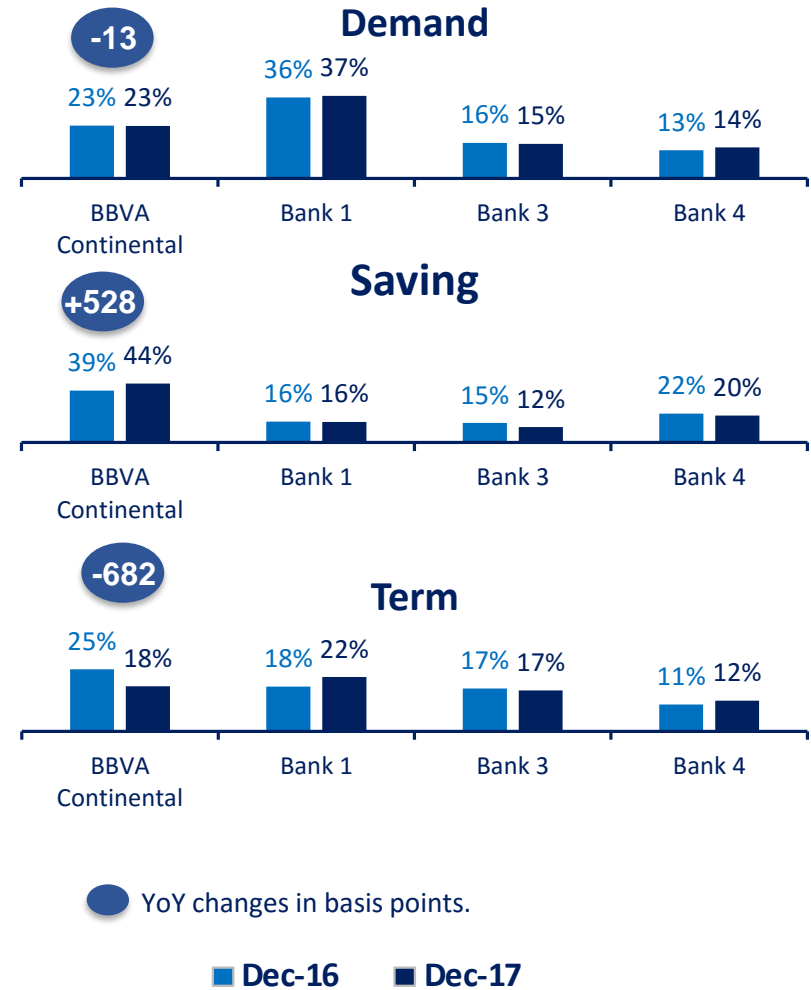


# Market Share - Deposits

## Retail Deposits

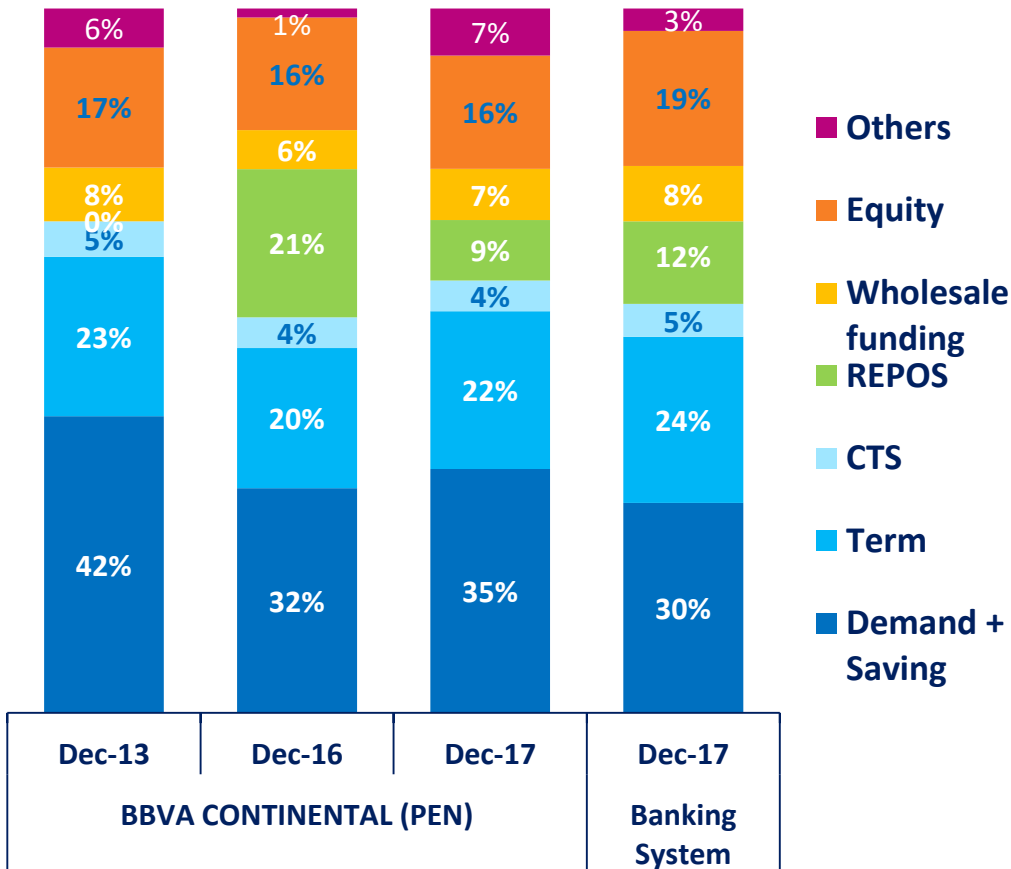


## Business Deposits

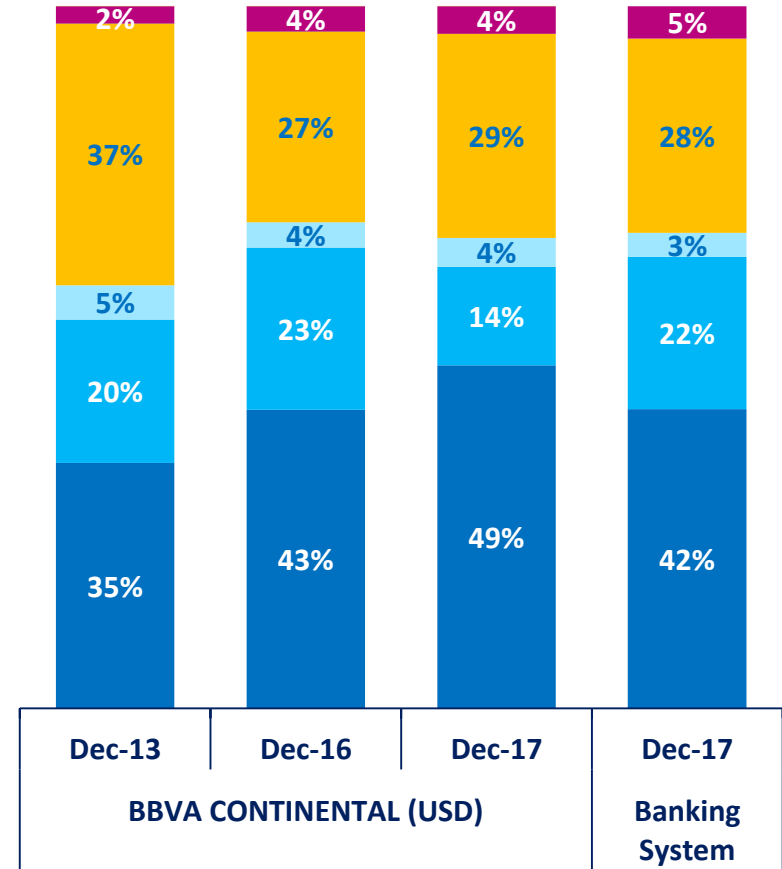


# Liabilities and Capital Breakdown

## PEN

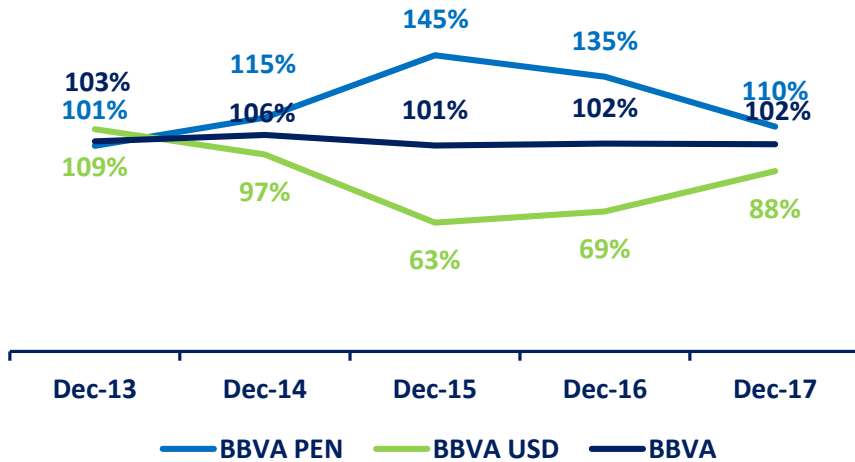


## USD

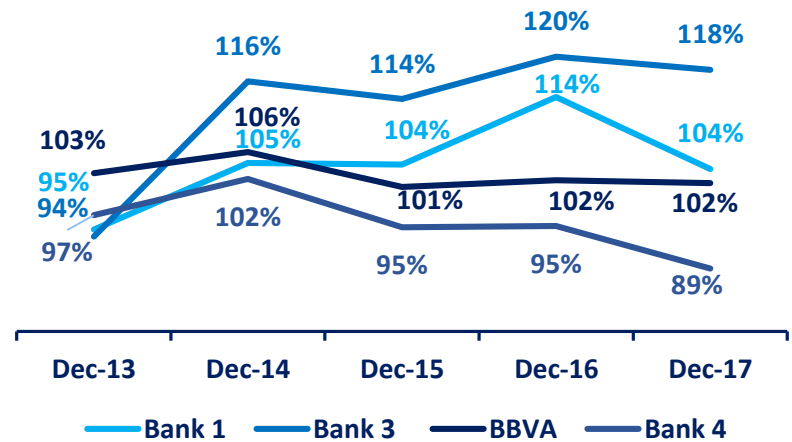


# High level of self-financing and balance sheet denomination in PEN

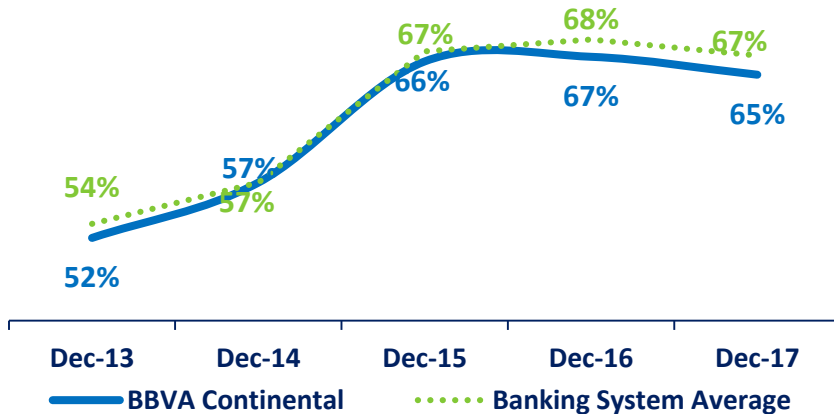
Loan-To-Deposit by currency



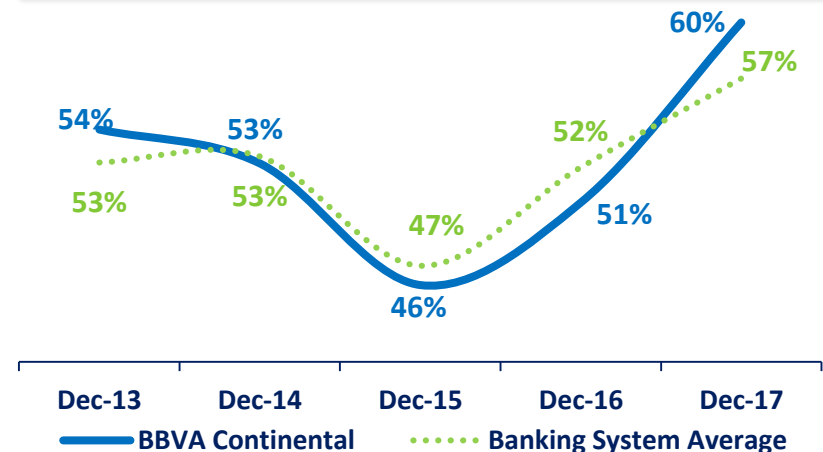
Loan-To-Deposit - Peer group



Domestic Currency Performing Loans (% Total Loans)



Domestic Currency Deposits<sup>1</sup> (% Total Deposits)

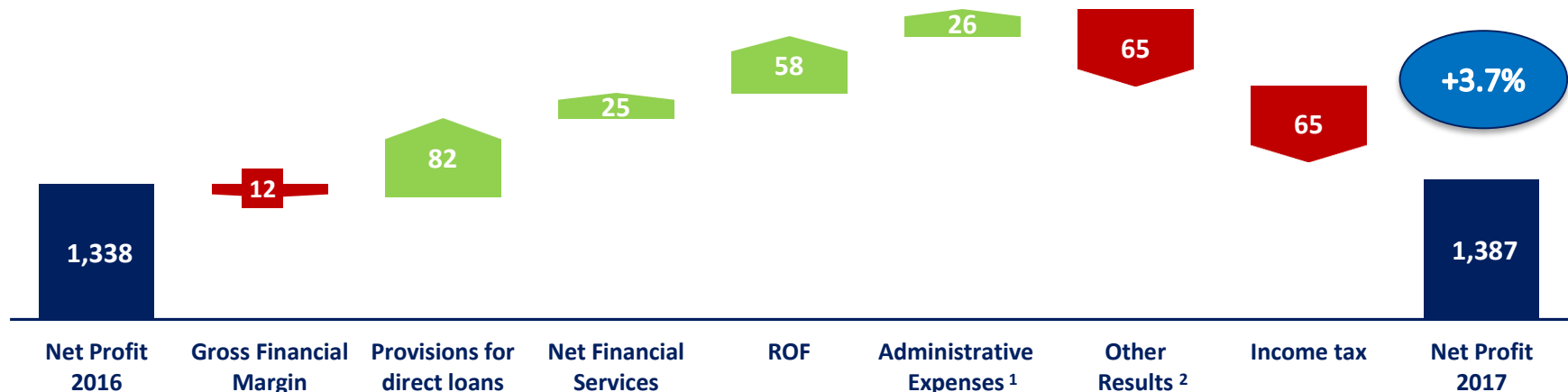


<sup>1</sup>Other obligations are excluded from deposit.

# BBVA Continental Profit & Loss

(S/. Millions)

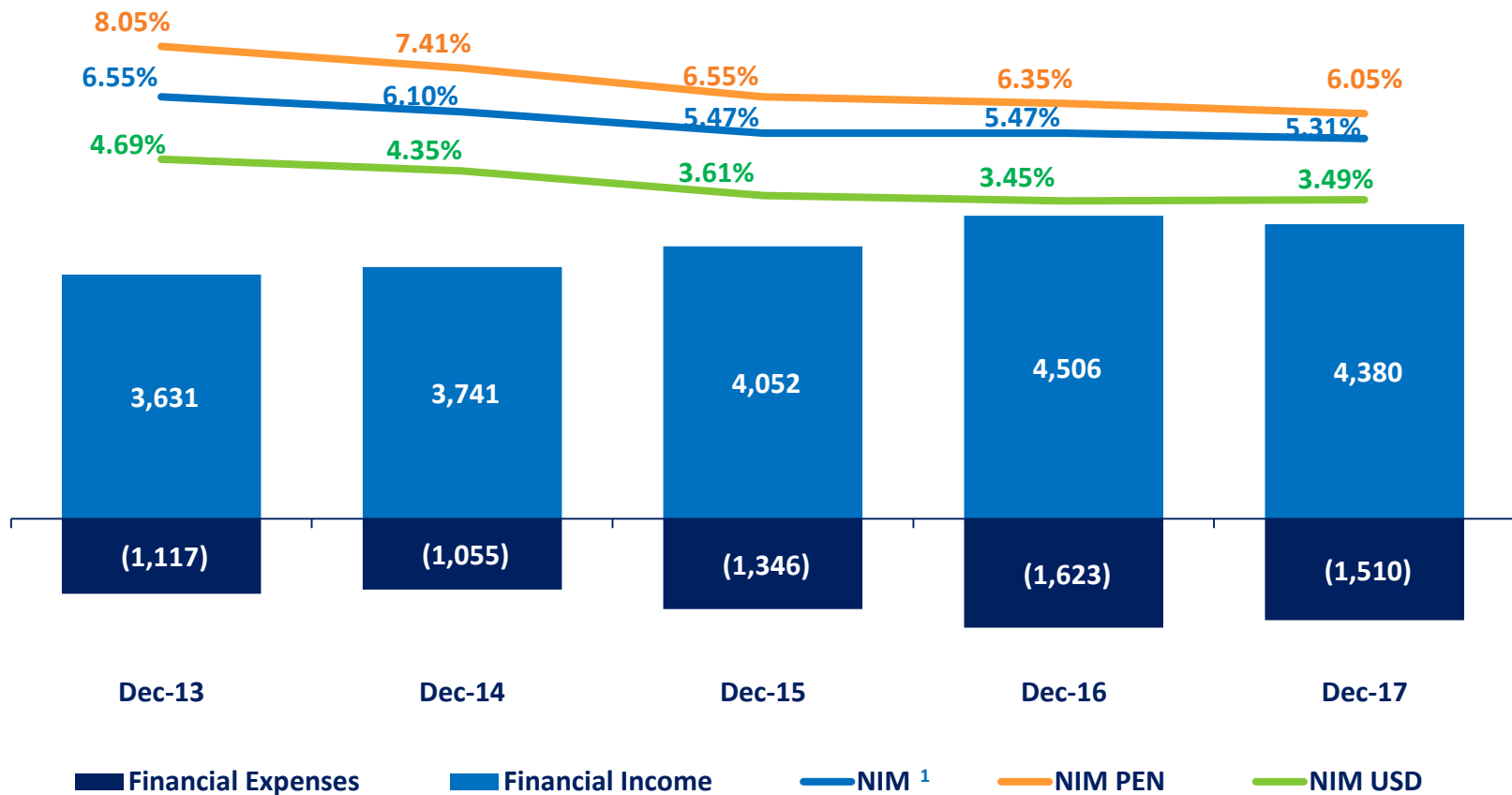
	Dec-17	Dec-16	%
<b>Gross Financial Margin</b>	<b>2,870</b>	<b>2,883</b>	<b>-0.4</b>
Provisions for direct loans	(539)	(621)	-13.2
<b>Net Financial Margin</b>	<b>2,331</b>	<b>2,261</b>	<b>3.1</b>
Income from financial services	1,068	1,033	3.4
Expenses from financial services	(303)	(294)	3.2
Gain / Loss From Financial Operations (ROF)	587	529	10.9
<b>Operating Margin</b>	<b>3,683</b>	<b>3,530</b>	<b>4.3</b>
Administrative expenses	(1,468)	(1,509)	-2.7
Depreciation and amortization	(123)	(108)	13.0
<b>Net Operating Margin</b>	<b>2,092</b>	<b>1,913</b>	<b>9.4</b>
Asset valuation and other provisions	(155)	(114)	35.9
Other Income and Expenses	(53)	(29)	82.7
<b>Profit / Loss Before Income Tax</b>	<b>1,883</b>	<b>1,769</b>	<b>6.4</b>
Income tax	(496)	(431)	15.0
<b>Net Profit</b>	<b>1,387</b>	<b>1,338</b>	<b>3.7</b>



<sup>1</sup> Includes administrative expenses, depreciation and amortization

<sup>2</sup> Includes asset valuation, other provisions, and other income and expenses

# Gross financial margin (\$/ Million,%)



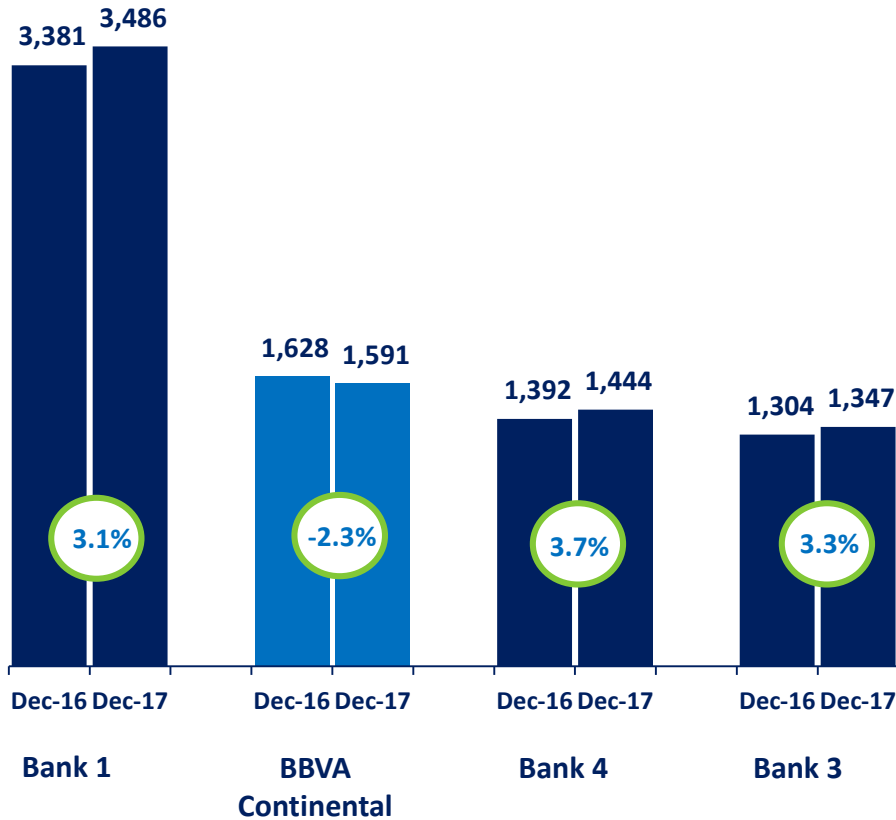
<sup>1</sup> **NIM ratio:** Gross financial margin for the last 12 months divided by average interest earning assets (interbank funds, investments, net loans).

Source: SBS & ASBANC

# Expenses management

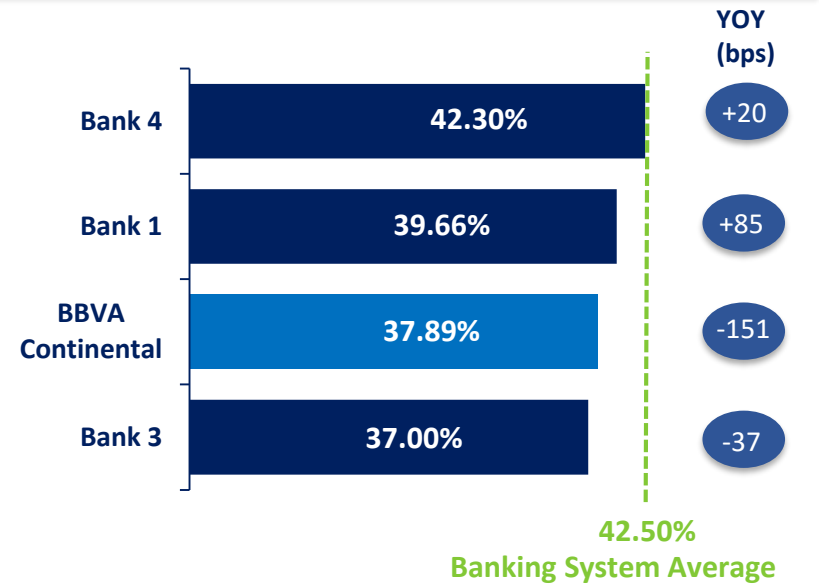
We manage an attractive efficiency ratio

**Administrative expenses**<sup>1</sup> (\$/ Million, %)

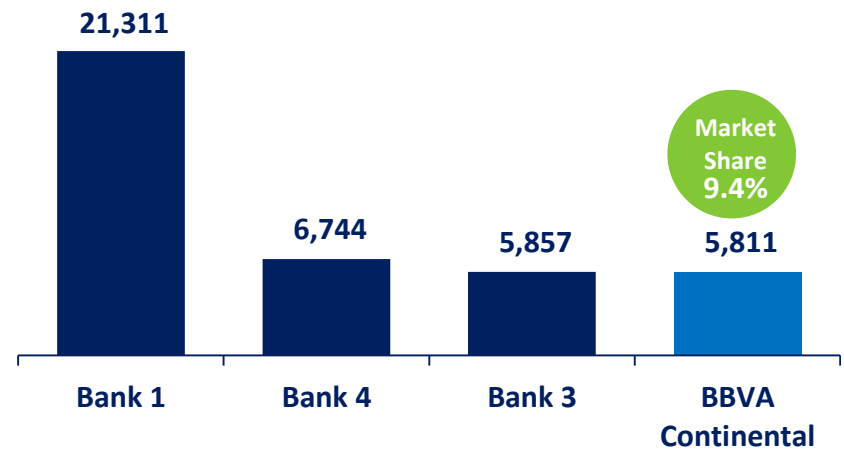


<sup>1</sup> Includes Amortization and Depreciation  
Source: SBS

**Efficiency Ratio** (December 2017)

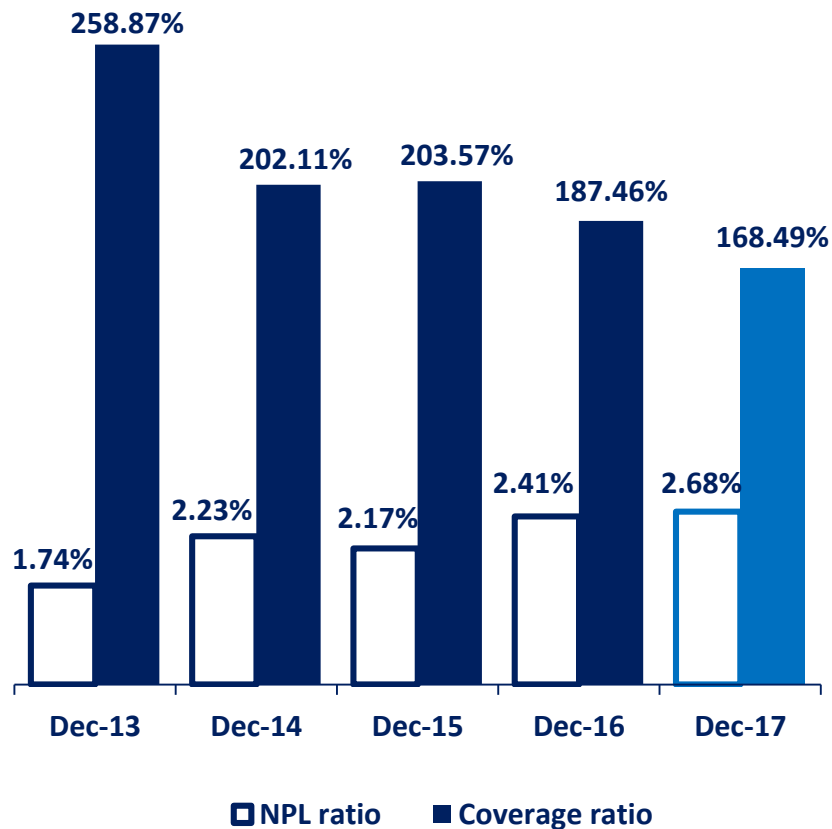


**Number of employees** (December 2017)

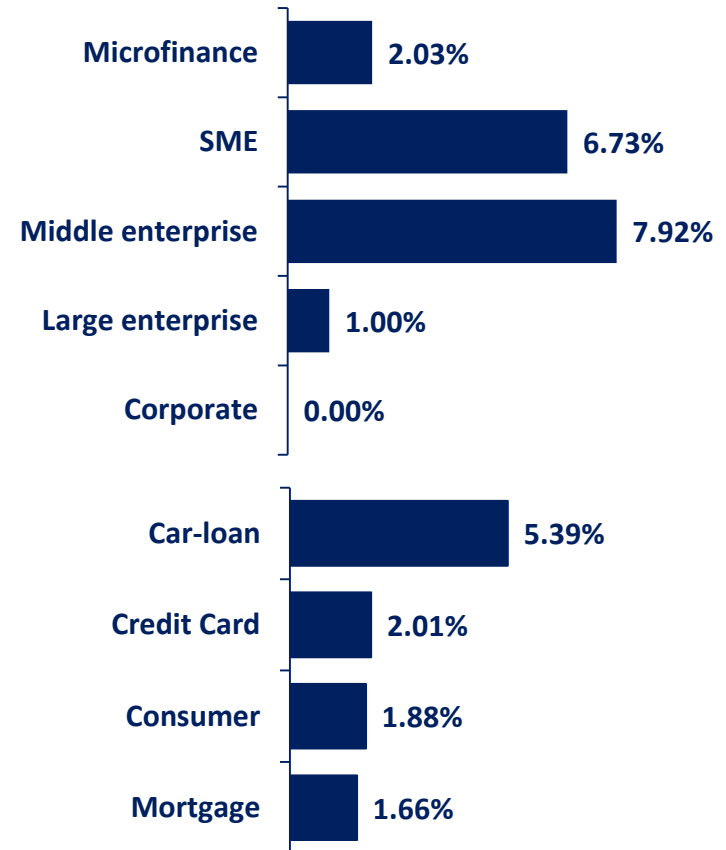


# Risk management

Outstanding asset quality (December 2017)

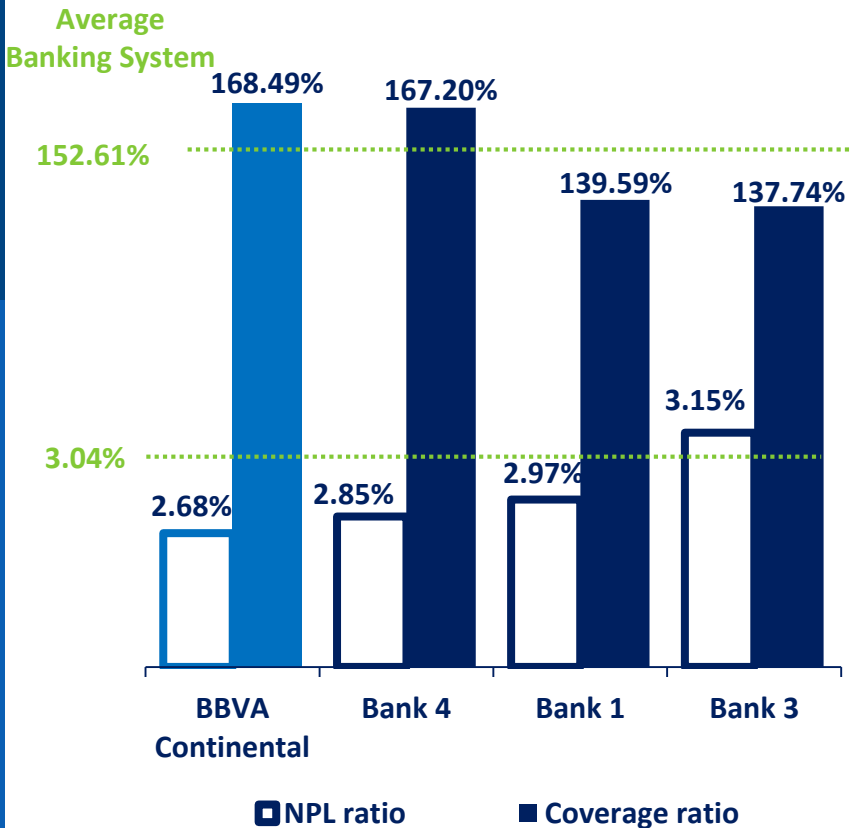


NPL ratio by product and segment (December 2017)

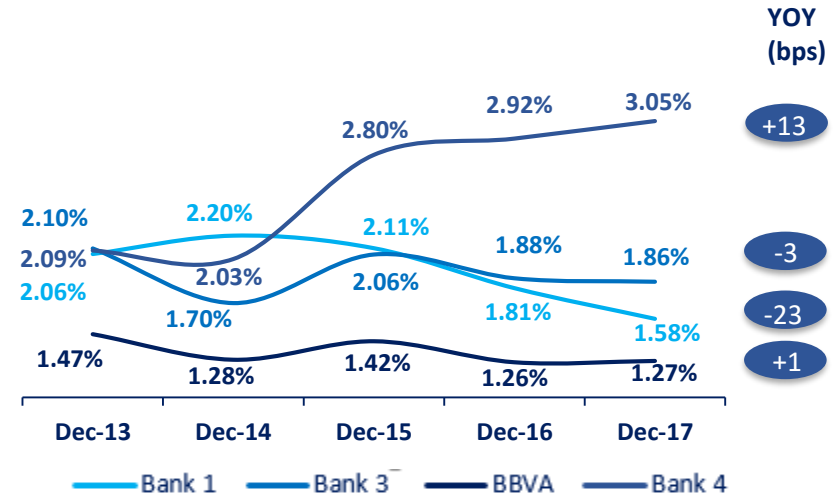


# Risk management

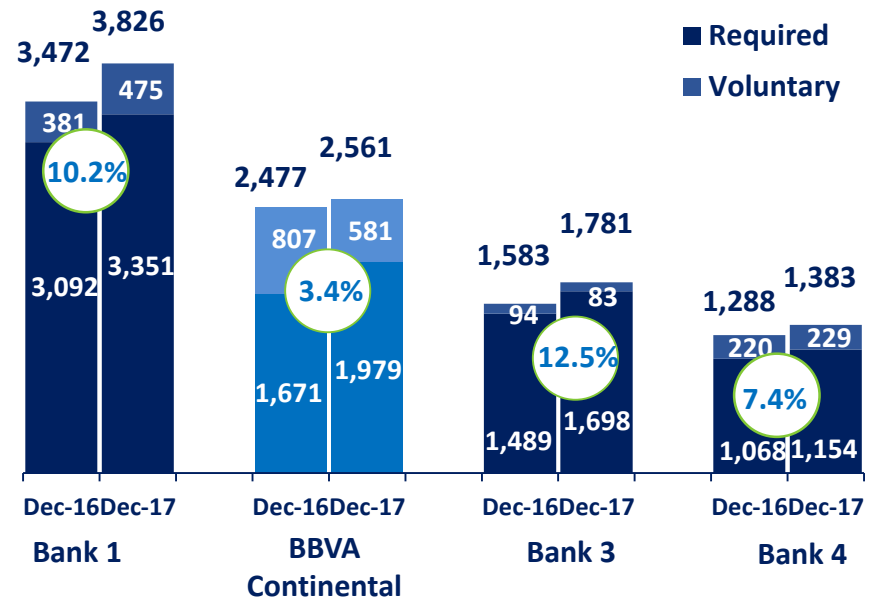
## Best NPL Ratio and Coverage Ratio (December 2017)



## Best Risk Cost<sup>1</sup> ratio vs. Peer Group



## Maintaining high levels of voluntary provisions (S/ Million)

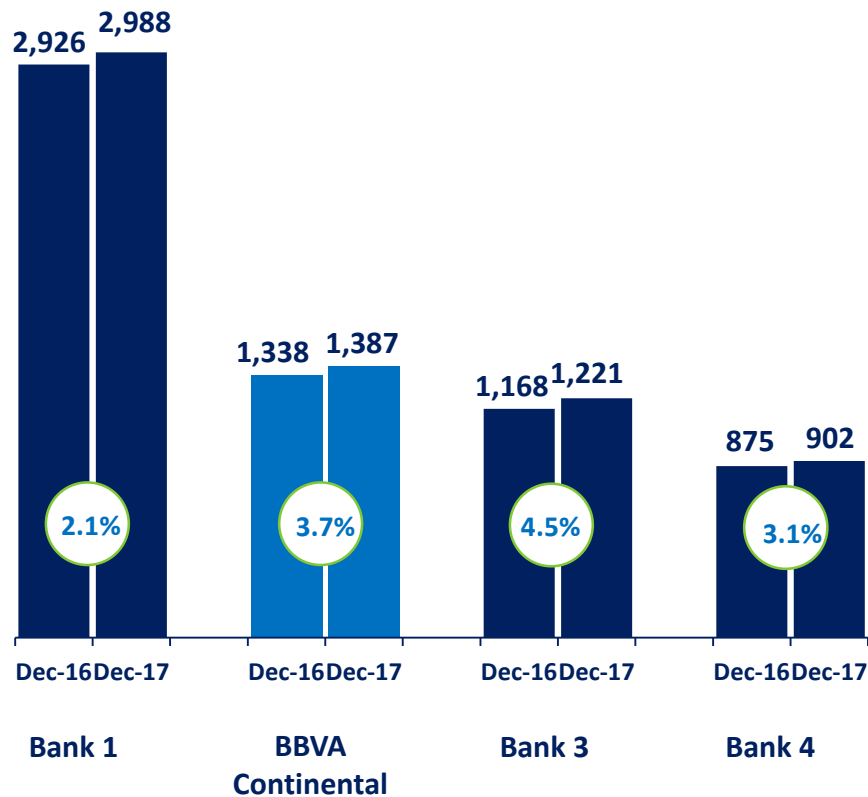


<sup>1</sup> Risk Cost: Provisions for the last 12 months between average loans from the last 12 months.  
Source: SBS

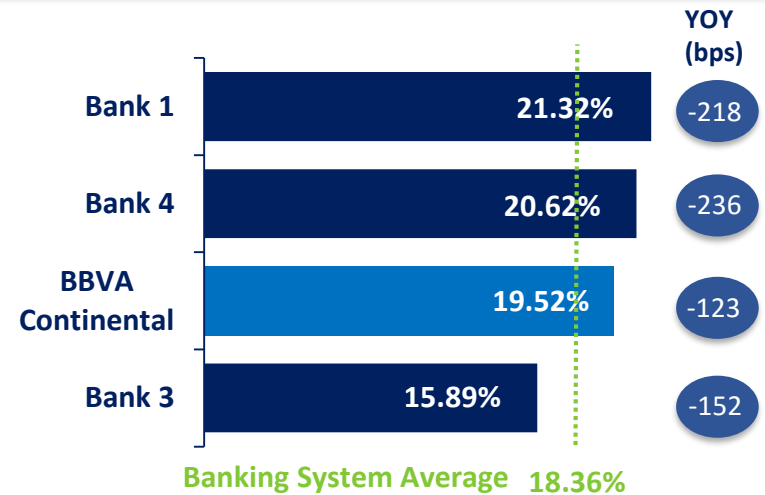


# Profitability management

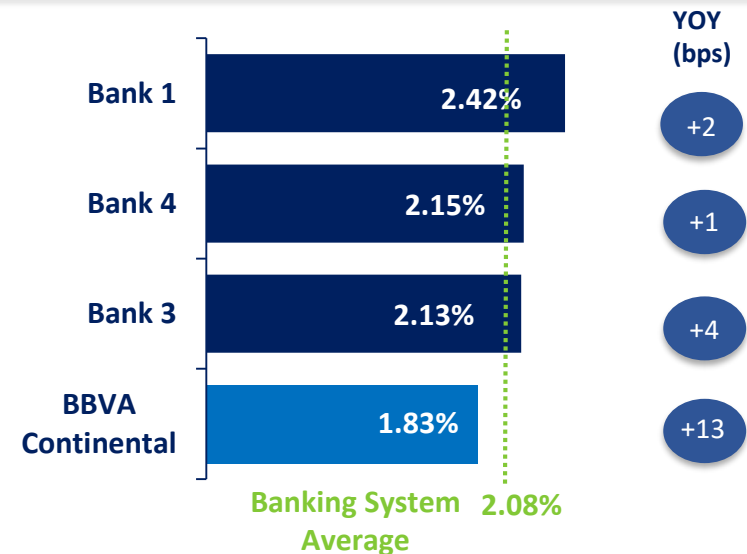
Net Profit (S/ Million, %)



Return on Equity – ROE (December 2017)

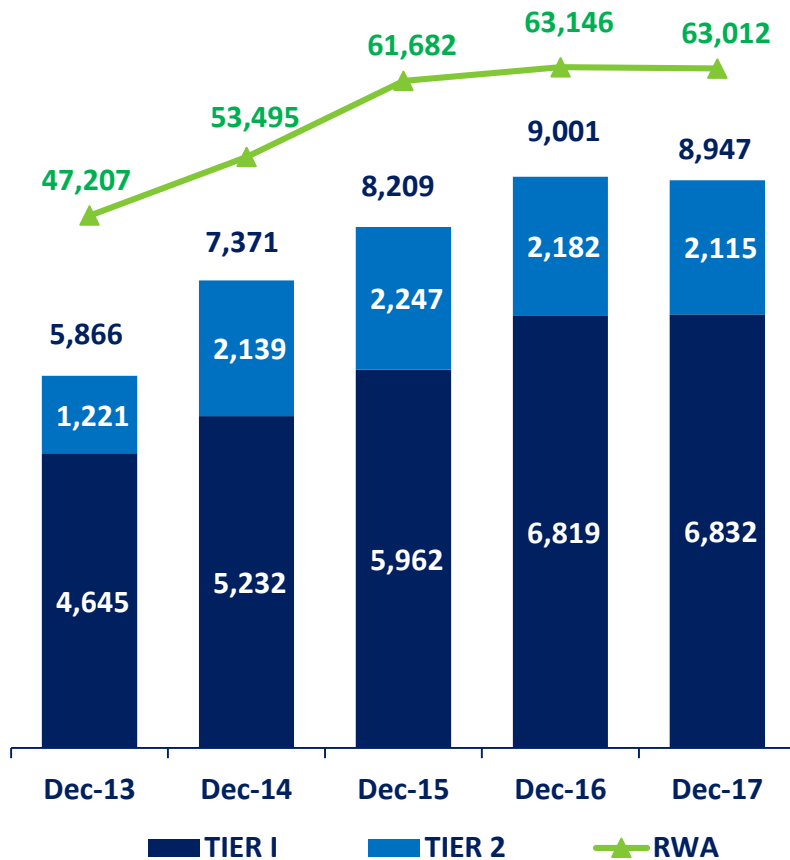


Return on Assets – ROA (December 2017)

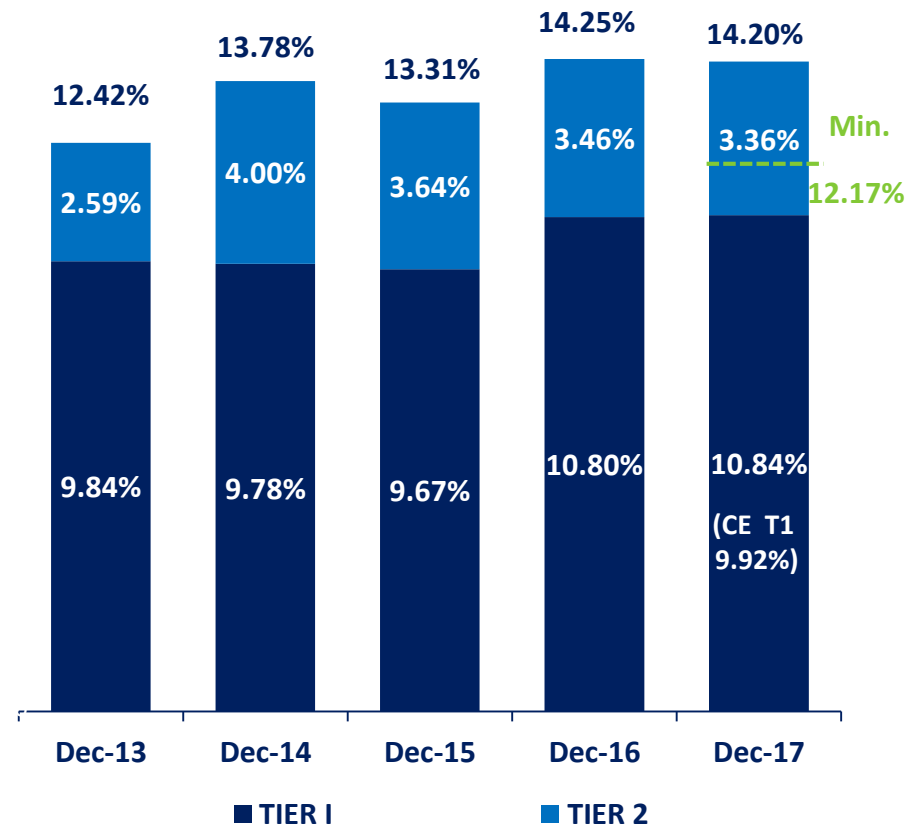


# Solvency management

Regulatory capital & RWA (\$/ Million)

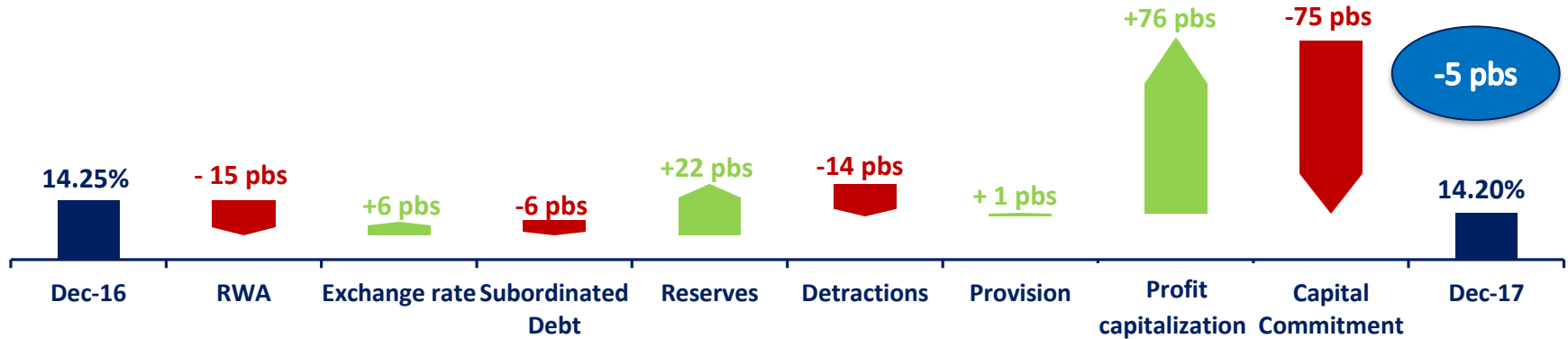


Main Capital Ratios

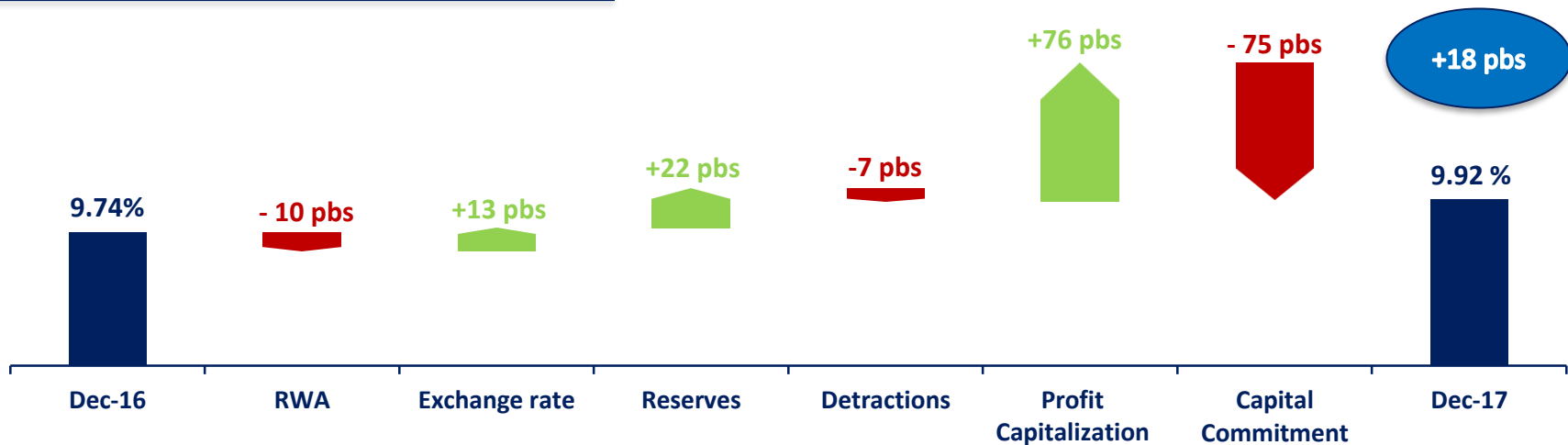


# Main changes in Capital Ratios

Global capital ratio (YoY, %)



Common Equity Tier I (YoY, %)





04

Ratings

# International & Local Rating

Rating agencies have granted BBVA Continental the best international and local ratings:

Instrument	Fitch Ratings	Standard & Poors
Foreign currency long term issuances	BBB+	BBB
Foreign currency short term issuances	F2	A-2
Local currency long term issuances	BBB+	BBB
Local currency short term issuances	F2	A-2
Outlook	Stable	Positive

Instrument	Apoyo & Asociados	Equilibrium	PCR
Negotiable Certificate of Deposits (CD)	CP-1+ (pe)	EQL 1+.pe	p1+
Short term deposits	CP-1+ (pe)	EQL 1+.pe	Categoría I
Term deposits > 1 year	AAA (pe)	AAA.pe	pAAA
Corporate bonds	AAA (pe)	AAA.pe	pAAA
Subordinated bonds	AA+ (pe)	AA+.pe	pAA+
Leasing bonds	AAA (pe)	AAA.pe	pAAA
Common shares	1a (pe)	1a Clase.pe	PC N1
Issuer rating	A+	A+	A+

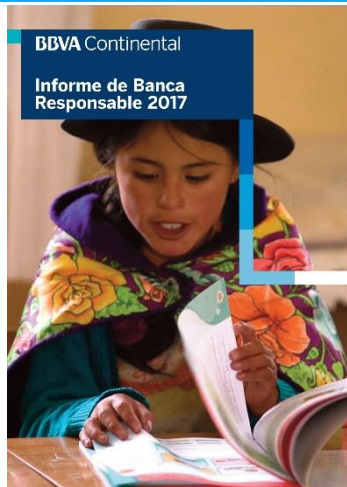


05

# Social Responsibility and Awards

# The Bank maintains its commitment to society and is highly regarded in the market

## SOCIAL RESPONSIBILITY



Social, Economical and Environmental Responsibility Report



Reading Program:  
“Leer es estar adelante”

## AWARDS

GLOBAL PRIVATE BANKING AWARDS 2017



Best Digital Bank 2017

IRENE

Most Recommended Bank 2017



BBVA Continental is part of the Best Corporate Governance Principle's Index of companies.



# Appendix

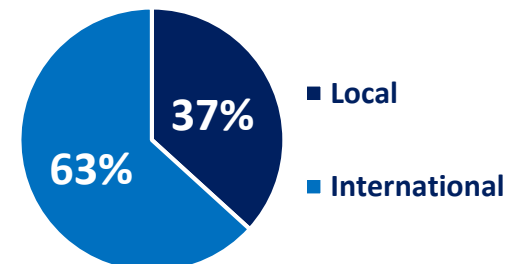
Issued Debt



# Issued Debt

		Bond	Issue Date	Call Date	Maturity	Currency	Nominal (\$ 000)	Coupon
<b>BBVA Continental</b>	<b>International</b>	Corporate	Ago-12	-	Ago-22	USD	500,000	5.00%
		Corporate	Abr-13	-	Abr-18	USD	500,000	3.25%
		Subordinated	Set-14	Set-24	Set-29	USD	300,000	5.25%
		Subordinated	May-07	May-22	May-27	USD	20,000	6.00%
	<b>Local</b>	Subordinated	Jun-07	-	Jun-32	PEN	55,000	3.47%
		Subordinated	Nov-07	-	Nov-32	PEN	50,000	3.56%
		Subordinated	Feb-08	-	Feb-28	USD	20,000	6.47%
		Corporate	May-08	-	May-18	PEN	60,000	7.09%
		Subordinated	Jul-08	-	Jul-23	PEN	45,000	3.06%
		Subordinated	Set-08	-	Set-23	PEN	50,000	3.09%
		Subordinated	Dic-08	-	Dic-33	PEN	30,000	4.19%
		Corporate	Ago-10	-	Ago-20	PEN	40,000	7.19%
		Corporate	Ago-10	-	Ago-20	PEN	80,000	7.22%
		Corporate	Ago-11	-	Ago-18	PEN	100,000	7.13%
		Corporate	Dic-11	-	Dic-26	PEN	150,000	7.47%
		Corporate	Abr-12	-	Abr-19	PEN	200,000	5.81%
		Subordinated	Oct-13	Oct-23	Oct-28	USD	45,000	6.53%
		Corporate	Abr-16	-	Abr-19	PEN	150,000	6.19%
		Corporate	Abr-16	-	Abr-19	PEN	100,000	6.19%
		Corporate	Jun-16	-	Jun-21	PEN	150,000	6.28%
		BAF	Oct-16	-	Oct-19	PEN	205,100	5.47%
		BAF	Ene-17	-	Ene-20	PEN	200,000	6.03%
		Corporate	Nov-17	-	Nov-20	PEN	350,000	4.78%
		BAF	Dic-17	-	Dic-20	PEN	158,000	4.63%

Total Debt	S/ Millions
Local	2,449
International	4,213
<b>Total</b>	<b>6,662</b>



# BBVA CONTINENTAL

## Investors Report

Fourth Quarter 2017

BBVA Continental