

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

Consolidated Financial Statements

March 31, 2018 and December 31, 2017

(TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN SPANISH)

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

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(Translation of Financial Statements originally issued in Spanish)

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

Consolidated Statement of Financial Position
As of March 31, 2018 and December 31, 2017

<i>In thousands of soles</i>	<i>Note</i>	2018	2017	<i>In thousands of soles</i>	<i>Note</i>	2018	2017
Assets				Liabilities and equity			
Cash and due from banks	4	14,832,299	15,326,501	Obligations to the public and deposits in financial system entities	11	49,047,565	49,326,064
Interbank funds		85,026	-	Interbank funds		409,625	911,486
Investments at fair value through profit or loss available-for-sale and held-to-maturity investments	5	8,312,492	7,709,116	Borrowings and financial obligations	12	12,136,246	11,108,707
Loan portfolio, net	6	50,046,176	49,996,441	Trading derivatives	7	371,061	383,174
Trading derivatives	7	476,499	499,288	Hedging derivatives	7	210,788	142,782
Hedging derivatives	7	3,240	1,191	Provisions and other liabilities	13	7,781,174	7,079,315
Asset seized and recovered through legal actions, net		204,072	207,976	Total liabilities		69,956,459	68,951,528
Investments in associates	8	12,976	12,226	Equity	14		
Property, furniture and equipment, net	9	896,824	923,324	Capital Stock		4,883,119	4,883,119
Deferred tax		369,895	370,701	Additional capital		485,483	-
Other assets, net	10	1,948,319	1,558,746	Reserves		1,521,788	1,383,079
Goodwill		5,289	5,289	Adjustments to equity		14,286	6,387
				Retained earnings		331,972	1,386,686
Total assets		77,193,107	76,610,799	Total equity		7,236,648	7,659,271
				Total liabilities and equity		77,193,107	76,610,799
Risks and contingent commitments		24,521,529	24,648,941	Contingent risks and commitments		24,521,529	24,648,941

The accompanying notes on pages 6 to 76 are part of these consolidated financial statements.

(Translation of Financial Statements originally issued in Spanish)

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

Consolidated Statement of Income and Other Comprehensive Income

For the three-month period ended March 31, 2018 and 2017

<i>In thousands of soles</i>	Note	2018	2017
Interest income	15	1,079,535	1,104,605
Interest expenses	16	(342,524)	(383,890)
Gross financial income		737,011	720,715
Provisions for direct loans, net of recoveries		(180,379)	(142,302)
Net financial income		556,632	578,413
Income from finance services, net	17	183,861	188,622
Financial income net of revenue and expenses for financial services		740,493	767,036
Profit or loss from financial operations		139,669	123,263
Operating margin		880,162	890,299
Administrative expenses	18	(384,065)	(372,615)
Depreciation and amortization		(35,567)	(28,952)
Net operating margin		460,530	488,732
Valuation of assets and provisions		3,917	(31,965)
Operating profit		464,447	456,767
Other expenses, net		7,089	(15,220)
Profit before tax		471,536	441,546
Income tax		(138,272)	(123,810)
Net profit		333,264	317,736
Basic and diluted earnings per share in soles	19	0.068	0.065
Weighted average number of shares outstanding (in thousands of shares)	20	4,883,119	4,883,119

The accompanying notes on pages 6 to 76 are part of these consolidated financial statements.

(Translation of Financial Statements originally issued in Spanish)

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

Consolidated Statement of Income and Other Comprehensive Income

For the three-month period ended March 31, 2018 and 2017

<i>In thousands of soles</i>	Note	2018	2017
Net profit		333,264	317,736
Other comprehensive income:			
Gain on available-for-sale investments		5,344	621
Cash flow hedges		1,949	(5,075)
Investments in other comprehensive income associates		5	48
Income tax related to the components of other comprehensive income		601	2,114
Other comprehensive income for the period, net of income tax		7,899	(2,292)
Total comprehensive income for the period		341,163	315,444

The accompanying notes on pages 6 to 76 are part of these consolidated financial statements.

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

Consolidated Statement of Changes in Equity

For the three-month period ended March 31, 2018 and 2017

	Number of shares in thousands (note 14.B)	Stock capital (note 14.B)	Additional capital (note 14.B)	Reserves		Adjustment s to equity (note 14.E)	Retained earnings (note 14.D)	Total equity
				Legal (note 14.C)	Voluntary			
<i>In thousands of soles</i>								
Balance as of January 1, 2017	4,401,368	4,401,368	-	1,249,092	83	380	1,335,653	6,986,576
Net profit		-	-	-	-	-	317,736	317,736
Other comprehensive income:								
Net unrealized gain on available-for-sale investments						1,629		1,629
Net unrealized loss on cash flow hedging derivatives						(3,578)		(3,578)
Other comprehensive income for investment in associates		-	-	-	-	(342)	-	(342)
Total comprehensive income for the period		-	-	-	-	(2,291)	317,736	315,445
Changes in equity (not included in comprehensive income):								
Dividends		-	-	-	-	-	(722,502)	(722,502)
Capitalization of retained earnings	-	-	481,751	-	(83)	-	(481,668)	-
Transfers to reserves and other movements		-	-	133,797	-	-	(133,797)	-
Balance as of March 31, 2017	4,401,368	4,401,368	481,751	1,382,889	-	(1,911)	315,422	6,579,519
Balance as of January 1, 2018	4,883,119	4,883,119	-	1,383,079	-	6,387	1,386,686	7,659,271
Net profit							333,264	333,264
Net unrealized gain on available-for-sale investments						7,115		7,115
Net unrealized gain on cash flow hedging derivatives						1,374		1,374
Other comprehensive income for investment in associates						(590)		(590)
Total comprehensive income for the period		-	-	-	-	7,899	333,264	341,163
Dividends							(762,901)	(762,901)
Capitalization of retained earnings and reserves	-	-	485,483		-		(485,483)	-
Transfers to reserves and other movements				138,709			(139,594)	(885)
Balance as of March 31, 2018	4,883,119	4,883,119	485,483	1,521,788	-	14,286	331,972	7,236,648

The accompanying notes on pages 6 to 76 are part of these consolidated financial statements.

BBVA BANCO CONTINENTAL AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the three-months period March 31, 2018 and December 2017

<i>In thousands of soles</i>	2018	2017
Reconciliation of net profit with cash and cash equivalent from operating activities		
Net profit	333,264	317,736
Adjustments	345,597	324,200
Depreciation and amortization	35,567	29,545
Provisions	174,857	173,017
Other adjustments	135,173	121,638
Net changes in assets and liabilities:	(2,213,661)	(2,156,651)
(Net decrease) in assets	(2,331,400)	(90,307)
Loans	(292,639)	2,164,103
Investments at fair value through profit or loss	(448,917)	(64,179)
Available-for-sale investments	(1,048,187)	(1,453,797)
Other accounts receivable and others	(541,657)	(736,434)
Net increase (decrease) in liabilities	117,739	(2,066,344)
Non-subordinated financial liabilities	348,497	(2,254,028)
Accounts payable and others	(230,758)	187,684
Profit or loss for the period after net changes in assets, liabilities and adjustments	(1,534,800)	(1,514,715)
Paid current tax	185,516	(118,715)
Net cash flows from operating activities	(1,349,284)	(1,633,430)
Cash flows from investing activities		
Sale of intangible assets and property, furniture and equipment	-	7,315
Other inflows related to investing activities	(10,092)	-
Other outflows related to investing activities	10,275	8,123
Net cash flows used in investing activities	183	15,438
Cash flows from financing activities		
Dividends paid	410	(70)
Net cash flows used in financing activities	410	(70)
Net decrease of cash and cash equivalent before the effect of exchange rate fluctuations	(1,348,691)	(1,618,062)
Effect of exchange rate fluctuations on cash and cash equivalents	(27,972)	(582,595)
Net decrease in cash and cash equivalents	(1,376,663)	(2,200,657)
Cash and cash equivalents at beginning of period	13,779,136	14,652,430
Cash and cash equivalents at end of period	12,402,473	12,451,773
Guarantee funds	4,159,230	7,856,826
Interbank funds	(85,026)	(140,016)
Investments with a maturity of less than 90 days	(1,644,378)	(2,036,616)
Cash and due from banks as per the statement of consolidated financial position	14,832,299	18,131,967

The accompanying notes on pages 6 to 76 are part of these consolidated financial statements.

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2018 and December 31, 2017

1. Reporting Entity

A. Background

BBVA Banco Continental S.A. (hereinafter 'the Bank') is a subsidiary of Newco Perú S.A.C. (entity incorporated in Peru), which holds 46.12% of its share capital as of March 31, 2018 and December 31, 2017. Banco Bilbao Vizcaya Argentaria S.A. (hereinafter BBVA S.A.) holds 100% of the shares of Newco Perú S.A.C.

B. Economic activity

The Bank is a public corporation established in 1951, and it was authorized to operate as a banking entity by Superintendencia de Banca Seguros y Administradoras Privadas de Fondos de Pensiones (Superintendence of banking, insurance and Pension Funds Administrators, hereinafter 'SBS').

The Bank's operations mainly comprise financial intermediation, which consists of full-functional banking activities that are regulated by SBS through the Ley General del Sistema Financiero y del Sistema de Seguros y Orgánica de la SBS, Law 26702 and its amendments (hereinafter 'the Banking Law'). This law establishes the requirements, rights, obligations, guarantees, restrictions, and other operating conditions that legal entities operating in the financial and insurance system are subject to.

The Bank's legal domicile and headquarters' address is Av. República de Panamá N° 3055, San Isidro.

As of March 31, 2018 and December 31, 2017, the Bank develops activities through a national network of 332 offices, respectively. As of March 31, 2018 and December 31, 2017, the total number of employees of the Bank is 5,881 and 5,666, respectively.

The Bank has shareholding with 100% voting rights over its 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. Although the Bank does not have any equity interest in capital, nor the voting rights over Continental DPR Finance Company (DPR), given the characteristics of its corporate purpose and its relationship with the Bank, the accounting standards that regulate the Bank require that the financial statements of DPR be included on the consolidated basis with those of the Bank (all these companies shall be hereinafter referred to as 'Continental Group').

C. Approval of the consolidated financial statements

The consolidated financial statements as of March 31, 2018 were approved by the Bank's management.

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

Notes to the Consolidated Financial Statements
March 31, 2018 and December 31, 2017

2. Basis of Preparation of the Consolidated Financial Statements

A. Statement of compliance

The significant accounting policies and practices as of March 31, 2018, remained unchanged with respect to those in the audit report issued on February 22, 2018 by Caipo y Asociados S. Civil de R.L.; member firm of the network of independent representatives of KPMG International Cooperative, for the year ended December 31, 2017. The consolidated financial statements as of December 31, 2016, were audited by Beltran, Gris y Asociados S. Civil de R.L.; representatives of Deloitte.

B. Basis of consolidation

The consolidated financial statements include the financial statements of companies, stated in note 1, that comprise Continental Group, after eliminating the balances and significant transactions carried out among them, and the profits and losses resulting from such transactions. All subsidiaries have been consolidated since the date of their incorporation or acquisition.

Subsidiaries are all companies over which the Bank has control and is able to manage their operating and financial policies. The consolidation of subsidiaries ceases as from the date on which the Bank ceases to have control over them.

The following are the main balances of Continental Group as of March 31, 2018 and as of December 31, 2017:

<i>In thousands of Soles</i>	Assets		Liabilities		Equity	
	2018	2017	2018	2017	2018	2017
Entity						
BBVA Banco Continental	77,198	76,591	69,959	68,931	7,239	7,660
Continental Bolsa Sociedad Agente de Bolsa S.A.	44	43	27	22	17	21
BBVA Asset Management Continental S.A. SAF	62	58	15	2	47	56
Continental Sociedad Titulizadora S.A.	4	3	0	0	4	3
Inmuebles y Recuperaciones Continental S.A.	158	157	4	4	154	153
Continental DPR Finance Company	231	245	231	245	0	0
BBVA Consumer Finance Edpyme	432	483	364	419	68	64
Forum Comercializadora S.A.	2	2	-	-	2	2
Forum Distribuidora S.A.	108	99	90	81	18	18

3. Accounting Principles and Practices

The main accounting principles and practices applied to prepare Continental Group's consolidated financial statements, which have been consistently applied in previous periods unless otherwise indicated.

4. Cash and due from banks

As of March 31, 2018, cash and due from banks include approximately US\$ 2,260 and S/ 1,546 million (US\$ 2,087 and S/ 1,875 million as of December 31, 2017), 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 or in Banco Central de Reserva del Perú (BCRP).

As of March 31, 2018 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 37%, over total obligations subject to required reserve (TOSE) in local and foreign currency as required by BCRP (as of December 31, 2017, the applicable implicit rates in local and in foreign currencies were 5% and 44.33%).

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March 31, 2018 and December 31, 2017

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 March 31, 2018 cash and due from banks include funds for US\$ 1,218 million, includes guarantee funds that support commitments of repurchase of currency with BCRP for US\$ 1,218 million (US\$ 1,262 million as of December 31, 2017).

5. Investments at Fair Value through Profit or Loss, Available-for-Sale and Held-to-Maturity Investments

As of March 31, 2018 and December 31, 2017, this caption comprises the following:

<i>In thousands of soles</i>	2018	2017
Investments at fair value through profit or loss:		
BCRP certificates of deposit (a)	4,329,402	3,720,682
Sovereign Bonds of the Republic of Peru (b)	203,169	363,445
Mutual funds (c)	115,341	114,868
	4,647,912	4,198,995
Available-for-sale investments:		
BCRP certificates of deposit (a)	2,761,993	2,662,108
Sovereign Bonds of the Republic of Peru (b)	727,251	699,896
Corporate bonds	134,089	105,640
Shares in local companies (d)	40,426	41,656
Shares in foreign companies	821	821
	3,664,580	3,510,121
	8,312,492	7,709,116

- (a) BCRP certificates of deposit are securities freely negotiable in local currency with a maturity until August 2019; they are acquired through BCRP public bids and traded in the Peruvian secondary market. Of these certificates, as of March 31, 2018, S/ 405 million are allocated to repurchase transactions.

As of March 31, 2018, the annual interest in local currency generated by these certificates fluctuates between 2.55% and 2.90% (between 3.05% and 3.25% as of December 31, 2017). The annual interest in foreign currency is 2.94% (between 1.60% as of December 31, 2017).

- (b) They correspond to sovereign bonds issued in local currency by the Peruvian Ministry of Economy and Finance and represent internal public debt instruments of the Republic of Peru. Of these bonds, as of March 31, 2018, S/ 458 million are allocated to repurchase transactions (S/ 310 million as of December 31, 2017).

As of March 31, 2018, these bonds accrue interest at annual rates ranging from 1.50% to 5.74% in local currency (between 1.16% and 6.10% as of December 31, 2017) and have maturities until February 2042 for both periods.

As from November 2017, Sovereign Bonds of the Republic of Peru that the Banks had recorded in its held-to-maturity portfolio were reclassified as available-for-sale investments. Such bonds have a maturity date from October 2024 to January 2035. As of March 31, 2018, their carrying amount is S/ 491 million.

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2018 and December 31, 2017

- (c) As of March 31, 2018 and December 31, 2017, the investment in mutual funds corresponds to the participation quotes held by BBVA Asset Management, Continental S.A., Continental Sociedad Titulizadora S.A., Inmuebles y Recuperaciones Continental S.A.; in different mutual funds, BBVA Asset Management manages.
- (d) As of March 31, 2018 and December 31, 2017, it mainly includes shares of Bolsa de Valores de Lima (BVL) for S/ 40 million.
- (e) As of March 31, 2018, part of the sovereign bonds and corporate bonds, in foreign currency has a cash flow hedge (note 17(ii)).

6. Loan Portfolio, Net

As of March 31, 2018 and December 31, 2017, this caption comprises the following:

<i>In thousands of soles</i>	2018		2017	
Direct loans:				
Loans	18,588,716	38%	18,140,414	38%
Mortgage loans	11,778,739	24%	11,637,944	24%
Foreign trade	5,811,680	12%	6,130,095	12%
Consumer loans	5,373,866	9%	5,065,356	9%
Finance lease	4,351,342	9%	4,679,738	9%
Discounts	1,046,185	3%	1,111,484	3%
Others	2,635,686	5%	2,776,049	5%
	49,586,214	100%	495,410,080	100%
Pastdue and under legal collection loans	1,483,476	2%	1,400,138	2%
Refinanced and restructured loans	1,129,461	2%	1,111,473	2%
	52,199,151	104%	52,052,691	104%
Plus (less):				
Accrued interest	365,452	1%	362,993	1%
Non-accrued interest	(58,881)	-	(57,774)	-
Allowance for loan losses	(2,459,546)	(5%)	(2,361,469)	(5%)
	50,046,176	100%	49,996,441	100%
Contingent loans (note 16)	14,572,682		15,577,486	

Loans secured by guarantees received from customers, mainly composed by mortgages, deposits, letters of guarantee, guarantees, warrants and financial lease operations, amount to S/ 38,012 million as of March 31, 2018 (S/ 38,736 million as of December 31, 2017).

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2018 and December 31, 2017

As of March 31, 2018, part of the mortgage loan portfolio guarantees a debt with Fondo MIVIVIENDA – Programa MIHOGAR for up to S/ 486 million (S/ 500 million as of December 31, 2017). As of March 31, 2018 and December 31, 2017, the annual average effective interest rate of the main products was as follows:

	2018		2017	
	Local currency	Foreign currency	Local currency	Foreign currency
Active operations				
Loans and discounts	7.48	5.59	7.77	5.67
Mortgage loans	8.13	7.17	8.29	7.31
Consumer loans	24.78	28.27	25.27	28.31

As of March 31, 2018 and December 31, 2017 the outstanding balance of the direct credit portfolio segmented by type of client in accordance with Resolution SBS N° 11356-2008, is as follows:

<i>In thousands of soles</i>	2018		2017	
Mortgage loans	12,183,593	23%	12,028,957	23%
Corporate	11,398,707	22%	10,956,495	21%
Medium business loans	11,135,172	21%	11,551,131	22%
Large business loans	8,715,790	17%	8,927,043	17%
Consumer loans	5,540,086	11%	5,280,969	10%
Small business loans	1,288,896	2%	1,257,689	3%
Public Sector Entities	890,048	2%	925,380	2%
Financial System Entities	603,698	1%	659,919	1%
Stock brokers	217,018	1%	262,297	1%
Micro-business loans banks	128,743	-	95,910	-
Multilateral development	97,400	-	106,901	-
	52,199,151	100%	52,052,691	100%

As of March 31, 2018 and December 31, 2017, the balances of the loan portfolio are distributed in economic sectors as follows:

<i>In thousands of soles</i>	2018		2017	
Mortgage and consumer loans	17,723,679	34%	17,309,926	33%
Manufacture	9,088,781	17%	8,951,081	18%
Commerce	8,965,558	17%	9,086,584	18%
Real estate, business and rental	2,973,702	6%	3,017,877	6%
Transportation, storage and communications	2,744,864	5%	2,574,841	5%
Mining	1,512,835	3%	1,740,273	3%
Agriculture and Livestock	1,459,878	3%	1,570,296	2%
Electricity, Gas and Water	1,217,307	2%	1,290,543	3%
Building	1,059,178	2%	1,107,513	2%
Financial intermediation	915,475	2%	1,041,749	2%
Others	4,537,894	9%	4,362,008	8%
	52,199,151	100%	52,052,691	100%

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2018 and December 31, 2017

As of March 31, 2018 and 2017, the composition of the provision for doubtful of direct loans, net as shown in the consolidated income statement is as follows:

<i>In thousands of soles</i>	2018	2017
Provisions	565,781	549,960
Recovery of provisions	(385,347)	(407,658)
Income from portfolio recovery	(55)	-
Provisions for direct loans, net of recoveries	(180,379)	(142,302)

Management considers that the level of provision for doubtful loans covers eventual losses in the portfolio of direct loans as of the date of the consolidated statement of financial position. This provision has been made in compliance with all the requirements of the current regulation.

As of March 31, 2018, the general provision for doubtful loans includes general voluntary and procyclical provisions of S/ 546 million (S/ 585 million as of December 31, 2017).

Continental Group, in application of and in compliance with the current regulation, has identified those clients that are exposed to currency-induced credit risk, and considers that it is not necessary to make an additional provision for this concept.

During 2018, the Bank sold a portfolio of S/ 80 million (S/ 298 million during 2017). The selling value amounted to S/ 12 million (S/ 28 million during 2017) and is presented in 'Profit or loss from financial operations' of the consolidated income statement.

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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7. Trading and Hedging Derivatives

As of March 31, 2018 and December 31, 2017, Continental Group holds agreements of foreign currency forwards, cross currency swaps (CCS), interest rate swaps (IRS) and options. The following table shows the fair value of these derivative financial instruments as accounts receivable (assets) or accounts payable (liabilities). The face values presented correspond to the underlying assets of derivative instruments, on which changes at fair value are measured.

<i>In thousands of soles</i>	Underlying	Face	Assets	Liabilities
2018				
Trading derivatives				
Currency forwards		10,939,593	71,273	63,202
Share, currency and other options		1,247,921	15,734	15,734
Cross-currency swaps		5,100,763	312,011	245,543
Interest rate swaps		5,691,248	82,395	46,582
Provision for country risk		-	(4,914)	-
		22,979,525	476,499	371,061
Hedging derivatives				
At fair value (i)				
Currency swaps	Bond issuance	243,455	-	44,497
Interest rate swaps	Borrowings	1,266,598	-	39,100
Interest rate swaps	Bond issuance	4,195,099	-	127,191
Cash flows (ii)				
Interest rate swaps	Borrowings	78,370	1,893	-
Currency swaps	Sovereign Bond	80,675	972	-
Currency swaps	Corporate Bond	32,270	371	-
Currency forwards	Term Deposit	95,106	4	-
		5,991,573	3,240	210,788
		28,971,098	479,739	581,849
2017				
Trading derivatives				
Currency forwards		9,473,514	76,329	65,963
Share, currency and other options		1,265,617	22,537	22,537
Currency swaps		5,262,992	361,133	267,410
Interest rate swaps		5,781,595	44,062	27,264
Provision for country risk		-	(4,773)	-
		21,783,718	499,288	383,174
Hedging derivatives (note 13)				
At fair value (i)				
Currency swaps	Bond issuance	244,511	-	45,544
Interest rate swaps	Borrowings	1,280,195	-	25,868
Interest rate swaps	Bond issuance	4,213,300	-	71,370
Cash flows (ii)				
Interest rate swaps	Borrowings	83,340	1,191	-
		5,821,346	1,191	142,782
		27,605,064	500,479	525,956

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Hedging derivatives at fair value

- (i) As of March 31, 2018, the Bank has contracted a currency swap for the fair value hedging of bonds issued for a face value equivalent to S/ 243 million (S/ 245 million as of December 31, 2017). Through a cross currency swap (CCS), the Bank converts its issuance in fixed-rate local currency into floating-rate U.S. dollars. In 2018, the variability in the fair value of the CCS resulted in a loss of S/ 0.4 million, which is included in 'Profit or loss from financial operations' of the consolidated income statement (S/ 11 million profit as of December 31, 2017).

As of March 31, 2018, the Bank has contracted interest rate swaps (IRS) for a face value equivalent to S/ 5,462 million in order to hedge debts and issuance. Through the IRS, the Bank receives a fixed rate in U.S. dollars and pays a floating rate in the same currency. In 2018, the total variability in the fair value of IRS resulted in a loss of S/ 65 million, included in 'Profit or loss from financial operations' of the consolidated income statement (gain of S/ 1 million in 2017).

Cash flow hedging derivatives

- (ii) As of March 31, 2018, the Bank has contracted "interest rate swaps - IRS" for a nominal value equivalent to S/ 78 million for the coverage of debts (S/ 83 million as of December 31, 2017). The Bank receives a variable interest in US dollars and pays a fixed interest in the same currency. As of December 31, 2017, the change in the fair value of the IRS amounts to S/ 1.4 million gain, which is recorded in equity accounts (gain of S/ 0.9 million as of December 31, 2017).

As of March 31, 2018, the Bank has contracted "currency forward" for a nominal value equivalent to US\$ 29 million for the coverage of a term deposit in soles. The Bank receives a future cash flow in soles and pays a future cash flow in US dollars.

As of March 31, 2018, the Bank has contracted a "currency swap" for a nominal value of US\$ 35 million for the coverage of bonds accounted for as investments available for sale (US\$ 25 million of a sovereign bond and US\$ 10 million of a corporate bond). Through a "cross currency swap (CCS)" the Bank receives a fixed interest in soles and pays a fixed interest in US dollars. As of March 31, 2018, the variation in the fair value of the CCS amounts to 0.9 million gain, which is recorded in equity accounts.

8. Investments in Associates

As of March 31, 2018 and December 31, 2017, this caption comprises the following:

<i>In thousands of soles</i>	2018	2017
Compañía Peruana de Medios de Pago S.A.C. (a)	9,880	8,281
TFP S.A.C. (b)	3,096	3,945
	12,976	12,226

- (a) As of March 31, 2018 and December 31, 2017, Continental Group, through the Bank, holds a 20.28% stake in the share capital of Compañía Peruana de Medios de Pago S.A.C. (Visanet Peru).
- (b) As of March 31, 2018 and December 31, 2017, Continental Group, through the Bank, holds a 24.30% stake in the share capital of TFP S.A.C.

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9. Property, Furniture, and Equipment, Net

The movement in property, furniture and equipment and accumulated depreciation is as follows:

<i>In thousands of soles</i>	Land	Buildings and facilities	Furniture and equipment	Vehicles	Premises and improvements in leased property	Work-in-progress	Units in transit and replacing units	Total
Cost								
Balance as of January 1, 2017	120,643	810,967	577,074	8,499	241,727	20,879	300	1,780,089
Additions	-	9,126	40,542	1,127	5,206	85,375	1,256	142,632
Adjustments and other	(158)	21,833	7,113	(1,045)	5,358	(37,768)	(1,301)	(5,968)
As of December 31, 2017	120,485	841,926	624,729	8,581	252,291	68,486	255	1,916,753
Additions	-	738	130	-	229	2,297	-	3,394
Adjustments and other	-	3,437	2,704	-	4,470	(13,768)	-	(3,157)
As of March 31, 2018	120,485	846,101	627,563	8,581	256,990	57,015	255	1,916,990
Depreciation								
Balance as of January 1, 2017	-	454,005	311,894	6,491	114,038	-	-	886,428
Additions	-	35,907	55,944	809	23,261	-	-	115,921
Adjustments and other	-	5,037	(7,433)	(1,045)	(5,479)	-	-	(8,920)
As of December 31, 2017	-	494,949	360,405	6,255	131,820	-	-	993,429
Additions	-	9,078	14,740	233	5,843	-	-	29,894
Adjustments and other	-	19	(3,158)	-	(18)	-	-	(3,157)
As of March 31, 2018	-	504,046	371,987	6,488	137,645	-	-	1,020,166
Net cost								
Balance as of March 31, 2018	120,485	342,055	255,576	2,093	119,345	57,015	255	896,824
Balance as of December 31, 2017	120,485	346,977	264,324	2,326	120,471	68,486	255	923,324

According to current legislation, banks in Peru cannot give as collateral the goods that are part of their property, furniture, and equipment, except for those acquired through the issuance of leasing bonds to carry out finance lease operations.

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10. Other Assets, Net

As of March 31, 2018 and December 31, 2017, this caption comprises the following:

<i>In thousands of soles</i>	2018	2017
Transactions in progress (a)	1,436,453	850,177
Intangible assets, net of amortizations for S/ 23 million (S/ 20 million as of December 31, 2017)	237,062	233,388
Deferred charges (b)	105,452	97,206
Other accounts receivable	85,589	52,753
Tax credit, net of income tax	49,288	289,054
Tax credit (VAT) and other	17,011	18,056
Accounts receivable from the sale of goods, services and trust	500	325
Other	16,964	17,787
	1,948,319	1,558,746

- (a) Transactions in progress are transactions carried out during the last days of the month and are reclassified in the following month to their definitive accounts in the consolidated statement of financial position. These transactions do not affect the profit or loss of Continental Group. As of March 31, 2018 and December 31, 2017, they include S/ 1,371 million and S/ 803 million related to Treasury transactions, respectively.
- (b) As of March 31, 2018 and December 31, 2017, deferred charges include mainly prepaid insurance and deferred loan origination fees, related to fees paid to external sales force.

11. Obligations to the public and deposits in Financial System Entities

As of March 31, 2018 and December 31, 2017, this caption comprises the following:

<i>In thousands of soles</i>	2018	2017
Obligations to the public:		
Demand deposits	16,291,524	16,122,804
Time deposits	15,866,031	16,574,653
Savings deposits	14,798,864	14,625,612
Other obligations	135,636	78,707
	47,092,055	47,401,776
Deposits of financial system entities:		
Time deposits	1,566,592	1,489,919
Demand deposits	337,371	370,175
Savings deposits	51,547	64,194
	1,955,510	1,924,288
	49,047,565	49,326,064

- (a) As of March 31, 2018, a time deposit of US\$ 29 million has an accounting hedge through a currency forward.

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The Bank determines deposit interest rates based on the interest rates prevailing in the market. For the main products, the annual interest rates prevailing as of March 31, 2018 and December 31, 2017 fluctuated as follows:

	2018		2017	
	Local currency	Foreign currency	Local currency	Foreign currency
Demand deposits	0.00 – 0.25	0.00 – 0.125	0.00 - 0.25	0.00 - 0.125
Savings deposits	0.10 – 0.50	0.10 – 0.125	0.125 - 0.75	0.125 - 0.125
Time deposits and bank certificates	0.80 – 1.35	0.10 – 0.80	0.80 - 1.35	0.10 - 0.80
'Super depósito' bank account	0.80 – 1.35	0.10 – 0.25	0.80 - 1.35	0.10 - 0.25
Severance payment deposits	1.50 – 2.50	0.60 – 1.10	1.50 – 2.50	0.60 - 1.10

12. Borrowings and Financial Obligations

As of March 31, 2018 and December 31, 2017, this caption comprises the following:

<i>In thousands of soles</i>	2018	2017
Borrowings and financial obligations:		
Foreign financial entities (a)	4,085,231	3,366,121
Programa MIVIVIENDA – Crédito MIHOGAR (b)	527,626	542,843
International financial institutions (c)	511,710	125,010
Corporación Financiera de Desarrollo – COFIDE	11,754	12,112
Accrued interest payable	51,683	23,920
	5,188,004	4,070,006
Securities and bonds: (d)		
Corporate bonds	4,542,074	4,582,939
Subordinated bonds	1,486,463	1,514,978
Finance lease bonds	563,100	563,100
Notes (debt instruments)	211,392	226,202
Negotiable certificates of deposits	64,106	63,788
Accrued interest payable	81,107	87,694
	6,948,242	7,038,701
	12,136,246	11,108,707

Certain loan agreements include standard clauses of compliance with financial ratios, use of funds criteria and other administrative matters. In management's opinion, as of March 31, 2018 and December 31, 2017, these clauses are being adequately complied with and do not represent any restriction on the Continental Group's operations.

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- (a) As of March 31, 2018 and December 31, 2017 the Continental Group's borrowings with foreign financial entities accrued interest at an annual average rate ranging from 3.6% to 7.4%:

<i>In thousands</i>	2018		2017		Maturity
	US\$	S/	US\$	S/	
Deutsche Bank (i)	338,531	1,092,440	341,962	1,108,301	November 2020
Credit Suisse (ii)	200,000	645,400	200,000	648,200	October 2040
Standard Chartered	180,000	580,860	140,000	453,740	April and June 2018
Citibank NY	150,000	484,050	150,000	486,150	November 2018
Wells Fargo Bank	130,000	419,510	55,000	178,255	April and June 2018
Bank of Nova Scotia	95,000	306,565	40,000	129,640	April and June 2018
Toronto Dominion	70,000	225,890	40,000	129,640	April 2018
Banco del Estado de Chile	40,000	129,080	40,000	129,640	April y June 2018
Bank of America	30,000	96,810			April 2018
Bank of Pichincha	5,000	16,135	-	-	June 2018
Other	27,422	88,491	31,643	102,555	April 2018
	1,265,953	4,085,231	1,038,605	3,366,121	
Accrued interest	15,588	50,301	7,021	22,755	
	1,281,541	4,135,532	1,045,626	3,388,876	

- (i) Loan with a nominal amount of US\$ 350 million which accrues interest at an annual fixed rate of 5.50% and has maturity in November 2020. Fair value of this loan is hedged by IRS, which as of March 31, 2018 and December 31, 2017, have resulted in accumulated gains of S/ 34 million and S/ 22 million, respectively.
- (ii) It corresponds to a subordinated loan in foreign currency arranged at 7.38% annual interest rate. Pursuant to SBS Resolution 975-2016, this loan will continue to be considered as Tier 1 Regulatory Capital, considering the adequacy period established by the rules of subordinated debt, effective since February 2016.

The Bank entered into specific agreements on these loans, which contain clauses for compliance with financial ratios and other specific conditions related to flows assigned by the Bank, which in management's opinion have been fully complied with.

As of March 31, 2018 and December 31, 2017, the Continental Group holds in accounts payable a balance of S/ 9 million corresponding to deferred issuance expenses, for both periods.

- (b) As of March 31, 2018, these debts mainly include resources obtained for the social housing program MI VIVIENDA (MI HOGAR credit) for S/ 478 million in local currency and US\$ 2 million in foreign currency (S/ 492 million in local currency and US\$ 3 million in foreign currency as of December 31, 2017). This loan has different maturities until March 2036 and accrues interest at an annual effective rate of 7.75% in U.S. dollars and 6.25% in soles on the principal plus the Constant Adjustment index (hereinafter VAC, for its Spanish acronym).

As of March 31, 2018 and December 31, 2017, borrowings with Fondo MIVIVIENDA are secured with mortgage loan portfolio up to S/ 486 million and S/ 500 million, respectively (note 6). These borrowings consider specific arrangements about how these funds should be used, financial conditions that the borrower must meet, as well as other administrative matters.

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- (c) Borrowings from international financial institutions accrue interest at international market rates ranging from LIBOR +1.35% to 6.38% as of March 31, 2018 and December 31, 2017 and are unsecured. As of December 31, 2017 this caption comprises the following:

<i>In thousands</i>	2018		2017		Maturity
	US\$	S/	US\$	S/	
Andean Development Corporation - CAF	150,000	484,050	30,000	97,230	July 2018
International Finance Corporation - IFC	8,571	27,660	8,571	27,780	December 2018
	158,571	511,710	38,751	125,010	
Accrued interest payable	160	517	44	142	
	158,731	512,227	38,795	125,152	

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(d) As of March 31, 2018 and December 31, 2017 the detail of securities and bonds is as follows:

<i>In thousands of soles</i>	Authorized amount	Origin currency	Original placed amount	2018	2017	Maturity
Corporate bonds:						
7th issuance - single series	US\$ 100 millones ó S/ 315 millones	PEN	60,000	60,000	60,000	May 2018
1st issuance, single series - Fourth program	US\$ 100 millones	PEN	40,000	40,000	40,000	August 2020
2nd issuance, series A - Fourth program		PEN	80,000	80,000	80,000	August 2020
3rd issuance, series A - Fourth program		PEN	100,000	100,000	100,000	August 2018
2nd issuance, series A - Fifth program	US\$ 250 millones	PEN	150,000	150,000	150,000	December 2026
5th issuance, single series - Fifth program (i)		PEN	200,000	198,229	198,655	April 2019
1st issuance, series A - Sixth program	US\$ 250 millones	PEN	150,000	150,000	150,000	April 2019
1st issuance, series B - Sixth program		PEN	100,000	100,000	100,000	April 2019
2nd issuance, series A - Sixth program		PEN	150,000	150,000	150,000	June 2021
3rd issuance, series A - Sixth program		PEN	350,000	350,000	350,000	November 2020
1st program, international issuance (ii)	US\$ 500 millones	USD	500,000	1,550,196	1,586,647	August 2022
3rd program, international issuance (iii)	US\$ 500 millones	USD	500,000	1,613,649	1,617,637	April 2018
				4,542,074	4,582,939	
Subordinated bonds (iv):						
2nd issuance, series A - First program	US\$ 50 millones ó S/. 158.30 millones	USD	20,000	64,254	64,527	May 2027
3rd issuance, series A - First program		PEN	55,000	77,222	76,879	June 2032
2nd issuance, series A - Second program	US\$ 100 millones	PEN	50,000	68,753	68,448	November 2032
3rd issuance, series A - Second program		USD	20,000	64,540	64,820	February 2028
4th issuance, single series - second program		PEN	45,000	59,713	59,449	July 2023
5th issuance, single series - second program		PEN	50,000	65,492	65,202	September 2023
6th issuance, single series - second program		PEN	30,000	38,618	38,447	December 2033
1st issuance, single series - third program	US\$ 55 millones	USD	45,000	145,215	145,845	October 2028
First program, international issuance – single series (iv)	US\$ 300 millones	USD	300,000	902,656	931,361	September 2029
				1,486,463	1,514,978	
Notes (v)						
2da issuance, notes 2012-C y 2012-D	US\$ 235 millones	USD	235,000	211,392	226,202	June 2022
				211,392	226,202	
Finance lease bonds:						
1st issuance, series A - Second program	US\$ 250 millones	PEN	205,100	205,100	205,100	October 2019
1st issuance, series B - Second program		PEN	200,000	200,000	200,000	January 2020
1st issuance, series C - Second program		PEN	158,000	158,000	158,000	December 2020
				563,100	563,100	
Negotiable certificates of deposits				64,106	63,788	
Interest payable on securities, bonds, and obligations outstanding				81,107	87,694	
				6,948,242	7,038,701	

As of March 31, 2018 and December 31, 2017, corporate bonds are unsecured, accrue interest at annual rates in local currency ranging from 4.8% to 7.5%, and in foreign currency ranging from 3.3% to 5%.

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- (i) The issuance of corporate bonds for S/ 200 million is hedged with a CCS which has resulted in accumulated earnings of S/ 2 million as of March 31, 2018 (S/1 million as of December 31, 2017 of accumulated earnings) .
- (ii) In August 2012, the Bank carried out an international issuance of corporate bonds with 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, which has resulted in accumulated earnings of S/ 63 million as of March 31, 2018 (S/ 34 million as of December 31, 2017 accumulated earnings).
- (iii) In April 2013, the Bank carried out an international issuance of corporate bonds with a nominal amount of US\$ 500 million, at an annual fixed rate of 3.25%, maturing in April 2018. The principal will be fully paid off upon maturity. Likewise, such issuance has a fair value hedged through an IRS, which has resulted in accumulated losses of S/ 0.2 million as of March 31, 2018 (S/ 2 million as of December 31, 2017 of accumulated earnings).
- (iv) In September 2014, the Bank carried out an international issuance of subordinated bonds with a nominal amount of US\$ 300 million, at an annual fixed rate of 5.25%, maturing in September 2029. The principal will be fully paid off upon maturity. Likewise, such issuance has a fair value hedged through an IRS, which has resulted in accumulated earnings of S/ 60 million as of March 31, 2018 (S/ 35 million as of December 31, 2017 of accumulated earnings).
- (v) The notes issued in June 2012, as of March 31, 2018 amounts of US\$ 67 million, and comprise a financing of nominal amount of US\$ 24 million, maturing in June 2022, with a cash flow hedge through an interest rate swaps – IRS. Likewise, it includes financing of US\$ 43 million, at an annual fixed rate of 5%, maturing in June 2022, which has a fair value hedge through IRS, for which accumulated adjustments have been included at financial instrument carrying amount of S/ 4 million of accumulated earnings as of March 31, 2018 (S/ 3 million as of December 31, 2017 of accumulated earnings).

The payment of the notes is guaranteed by the present and future flows generated by client's electronic payment orders (Diversified Payments Rights -DPRs). Likewise, they contain clauses for compliance with Bank's financial ratios and other specific conditions related to flows assigned, which in management's opinion have been fully complied with as of March 31, 2018 and December 31, 2017.

The subordinated bonds have been issued in accordance with the provisions of the Banking Law, and accrue interest at annual rates that fluctuate between the VAC plus a "spread" and 5.4% for local currency, and between 5.3% and 6.5% for foreign currency.

The financial lease bonds accrue interest at annual rates that fluctuate between 4.6% and 6.0% for domestic currency, are backed by credit operations in the form of financial leasing that have been financed with such bonds.

As of March 31, 2018 and December 31, 2017, the Bank maintains accounts payable balance of S/ 11 million and S/ 12 million, respectively, corresponding to deferred issuance expenses.

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13. Provisions and Other Liabilities

As of March 31, 2018 and December 31, 2017, this caption comprises the following:

<i>In thousands of soles</i>	2018	2017
Accounts payable		
BCRP repurchase agreements (a)	4,277,999	4,827,739
Dividends, profit sharing and remunerations payable	809,277	105,592
Interest payable	306,303	274,434
Accounts payable to suppliers	301,841	276,678
Premiums to deposit insurance fund, contributions and obligations with tax collection entities	176,950	143,833
Other accounts payable	45,649	31,262
	5,918,019	5,659,538
Other liabilities		
Transactions in progress (b)	1,198,534	720,123
Deferred income and other	24,572	25,851
	1,223,106	745,974
Provisions		
Provision for contingent loans	221,251	232,563
Provision for lawsuits, litigations and other proceedings related to the activities	213,522	214,459
Other provisions	205,276	226,781
	640,049	673,803
	7,781,174	7,079,315

- (a) It corresponds to balance of currency repurchase agreement operations BCRP certificate of deposit, and sovereign bonds from the Republic of Peru entered into with BCRP.
- (b) Transactions in progress are mainly those carried out during the last days of the month and are reclassified in the following month to their definitive accounts of the consolidated statement of financial position. These transactions do not affect the consolidated income statement of the Bank. As of March 31, 2018, liability transactions in progress include mainly S/ 1,121 million related to Treasury operations (S/ 569 million as of December 31, 2017).

14. Equity

A. Regulatory capital and legal limits

The Banking Law established that the regulatory capital shall not be lower than 10% of the total risk weighted assets and contingent loans for credit, market and operational risks. As of March 31, 2018, the Bank and the Edpyme apply the standard method for calculating the amount of regulatory capital requirements for credit, market and operational risk.

As of March 31, 2018, on an individual basis, the regulatory capital of the Bank and the Edpyme, calculated according to current regulatory requirements is S/ 9,451 million and S/ 69 million, respectively (as of December 31, 2017 S/ 8,947 million and S/ 69 million, respectively). The regulatory capital is used to calculate certain limits and restrictions applicable to all Banks and financial institutions in Peru, which Management considers to have fulfilled.

As of March 31, 2018, assets and contingent loans weighted by credit, market and operational risks of the Bank and the Edpyme, in accordance with current legal standards, amount to S/ 63,097 million and S/ 478 million, respectively (as of December 31, 2017 S/ 63,012 million y S/ 523 million, respectively).

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As of March 31, 2018, the capital adequacy ratio by credit, market and operational risk of the Bank and EDPYME is 14.98% and 14.44%, respectively (as of December 31, 2017 14.20% and 13.28%, respectively).

B. Capital Stock

As of March 31, 2018, the Bank's authorized, issued and fully paid-in capital in accordance with its by-laws is represented by 4,883,119 thousand of outstanding ordinary shares with a par value of S/ 1 each). As of March 31, 2018, 485,483 thousand ordinary shares are pending registration due to the capitalization of results and facultative reserves.

At Obligatory General Shareholders' Meeting, held on March 28, 2018 and March 30, 2017, an agreement was reached to increase the share capital by S/ 485 million and S/ 482 million, respectively, through the capitalization of retained earnings and facultative reserve.

Shareholding structure of the Bank's share capital as of March 31, 2018 and December 31, 2017 is as follows:

Interest	2018		2017	
	Number of shareholders	Interest %	Number of shareholders	Interest %
Up to 1	7,703	3.30	7,719	3.31
From 1.01 to 5	3	4.46	3	4.45
From 45.01 to 100	2	92.24	2	92.24
	7,708	100	7,724	100

C. Reserves

In accordance with the Banking Law, it is required to have a reserve of at least 35% of the share capital. This reserve is created by an annual transfer of no less than 10% of after-tax profits, and supersedes the reserve referred to in the Companies Act. Otherwise, as stipulated in the Banking Law, the amount of legal reserve may also be increased with contributions made by the shareholders for this purpose.

At Obligatory General Shareholders' Meeting, held on March 28, 2018 and March 30, 2017, an agreement was reached to make a legal reserve in an amount equivalent to 10% of profits of year 2017 (S/ 139 million) and 2016 (S/134 million), respectively.

D. Adjustments to equity

As of March 31, 2018, adjustments to equity include S/ 15.5 million for unrealized gains on available-for-sale investment (S/ 8.4 million of unrealized gain as of December 31, 2017), S/ 0.6 million unrealized losses on investments available for the sale of subsidiaries (S/ 0.2 million for unrealized loss as of December 31, 2017), S/ 2.2 million unrealized gains from the valuation of the cash flow hedge derivative (S/ 0.9 million unrealized gains as of December 31, 2017) and S/ 2.8 million for unrealized losses by actuarial calculation of liabilities for long-term benefits, for both periods. As of December 31, 2017, there is S/ 0.2 million corresponding to earnings from other subsidiary adjustments.

E. Retained earnings

At Obligatory General Shareholders' Meeting, held on March 28, 2017 and March 30, 2017, an agreement was reached to approve the capitalization of retained earnings in an amount of S/ 485 million and S/482 million, respectively. Also, at both shareholders' meetings, it was approved to distribute dividends in the amount of S/ 763 million and S/ 723 million, respectively.

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15. Interest Income

Interest income in the first quarter of 2018 in relation to 2017 decreased by 2% mainly due to the net effect of the decrease in interest from loans portfolio and the increase in interest on investments in securities and the interest of cash and due.

16. Interest Expenses

Interest expenses in the first quarter of 2018 in relation to 2017 decreased by 11%, mainly due to the net effect of the increase in interest on deposits of companies in the financial system and the reduction of interest in obligations to the public and for accounts payable related to the transactions of repurchase agreements on certificate of deposits with the BCRP and sovereign bonds.

17. Income from Finance Services, Net

Income and expenses for various financial services in the first quarter of 2018 in relation to 2017 decreased by 3%. These items include income from contingent operations, credit and debit cards, transfers, collections, collections for third-party services, and other income and expenses.

18. Administrative Expenses

Administrative expenses for the first quarter of 2018 in relation to 2017 increased by 3%. This item includes personnel expenses, expenses for services received from third parties and taxes and contributions.

19. Earnings per Share

The table below shows the computation of the weighted average of shares and earnings per shares as of March 31, 2018 and December 31, 2017:

	Shares outstanding	Weighted average number of basic shares	Effective days to year-end	Weighted average number of common shares
<i>In thousands of soles</i>				
2018				
Balance as of January 1, 2018	4,883,119	4,883,119	365	4,883,119
Balance as of March 31, 2018	4,883,119	4,883,119		4,883,119
2017				
Balance as of January 1, 2017	4,401,368	4,401,368	365	4,401,368
Capitalization of year 2016 profit or loss	481,751	481,751	365	481,751
Balance as of December 31, 2017	4,883,119	4,883,119		4,883,119

As of March 31, 2018 and December 2017, earnings per share calculated based on the average number of shares amounted to S/ 0.0682 and S/ 0.0651, respectively.

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20. Related Party Transactions

As of March 31, 2018 and December 31, 2017, the separated financial statements include transactions with the controlling party, which, as established by IAS 24, comprise the parent company, subsidiaries, related parties, associates, other related parties, and the Bank's directors and key management. All related party transactions are conducted in accordance with market conditions applicable to non-related third parties.

- (a) The balances of the separated statement of financial position arising from related parties as of March 31, 2018 and December 31, 2017 are as follows:

<i>In thousands of soles</i>	2018	2017
Assets		
Cash and due from banks	2,923	220,332
Loan portfolio	681,672	634,184
Other assets	698,775	454,153
Liabilities		
Deposits	532,410	583,832
Borrowings and financial obligations	57,706	57,727
Other liabilities	966,126	292,225
Contingent	8,255,830	7,754,764

- (b) The effects of transactions with related parties in the consolidated income statement of Continental Group for the year ended March 31, 2018 and 2017 is as follows:

<i>In thousands of soles</i>	2018	2017
Interest income	1,831	1,353
Interest expenses	(2,718)	(3,388)
Other expenses, net	(20,433)	(21,311)

- (c) Loans to personnel and key management personnel compensation

As of March 31, 2018 and December 31, 2017, Directors, officers and employees of the Bank have performed credit operations allowed by the Banking Law, which regulates and establishes certain limits to transactions with Directors, officers and employees of banks in Peru. As of March 31, 2018 and December 31, 2017, direct loans to employees, directors, officers and key personnel amounted to S/ 406 million and S/ 422 million, respectively.

Likewise, as of March 31, 2018 and 2017, key management personnel and board of directors' compensation totaled S/ 4 million in both periods.

21. Subsequent Events

The Bank is not aware of any significant subsequent events occurring between the closing date of these consolidated financial statements and the authorization date of their issuance that may affect them significantly.