

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

Consolidated Financial Statements

June 30, 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 June 30, 2018 and December 31, 2017

<i>In thousands of soles</i>	<i>Note</i>	2018	2017
Assets			
Cash and due from banks	4	12,185,459	15,326,501
Interbank funds		-	-
Investments at fair value through profit or loss available-for-sale and held-to-maturity investments	5	6,630,606	7,709,116
Loan portfolio, net	6	51,059,565	49,996,441
Trading derivatives	7	468,263	499,288
Hedging derivatives	7	1,966	1,191
Asset seized and recovered through legal actions, net		219,379	207,976
Investments in associates	8	9,850	12,226
Property, furniture and equipment, net	9	883,128	923,324
Deferred tax		361,900	370,701
Other assets, net	10	1,654,876	1,558,746
Goodwill		5,289	5,289
Total assets		73,480,281	76,610,799
Risks and contingent commitments		25,171,355	24,648,941

<i>In thousands of soles</i>	<i>Note</i>	2018	2017
Liabilities and equity			
Obligations to the public and deposits in financial system entities	11	47,435,625	49,326,064
Interbank funds		949,434	911,486
Borrowings and financial obligations	12	9,985,749	11,108,707
Trading derivatives	7	341,750	383,174
Hedging derivatives	7	233,010	142,782
Provisions and other liabilities	13	6,945,125	7,079,315
Total liabilities		65,890,693	68,951,528
Equity	14		
Share Capital		5,368,602	4,883,119
Additional capital		-	-
Reserves		1,522,035	1,383,079
Adjustments to equity		(60)	6,387
Retained earnings		699,011	1,386,686
Total equity		7,589,588	7,659,271
Total liabilities and equity		73,480,281	76,610,799
Contingent risks and commitments		25,171,355	24,648,941

The accompanying notes on pages 6 to 25 are part of these consolidated financial statements.

BBVA BANCO CONTINENTAL AND SUBSIDIARIES
Consolidated Statement of Income
For the six-month period ended June 30, 2018 and 2017

<i>In thousands of soles</i>	Note	2018	2017
Interest income	15	2,178,170	2,207,303
Interest expenses	16	(664,234)	(771,504)
Gross financial income		1,513,936	1,435,799
Provisions for direct loans, net of recoveries		(358,859)	(329,450)
Net financial income		1,155,077	1,106,349
Income from finance services, net	17	398,657	379,769
Financial income net of revenue and expenses for financial services		1,553,734	1,486,118
Profit or loss from financial operations		285,306	267,349
Operating margin		1,839,040	1,753,467
Administrative expenses	18	(776,058)	(747,207)
Depreciation and amortization		(73,101)	(57,483)
Net operating margin		989,881	948,777
Valuation of assets and provisions		1,498	(36,680)
Operating profit		991,379	912,097
Other expenses, net		(3,416)	(28,497)
Profit before tax		987,963	883,600
Income tax		(287,660)	(238,341)
Net profit		700,303	645,259
Basic and diluted earnings per share in soles	19	0.130	0.120
Weighted average number of shares outstanding (in thousands of shares)	19	5,368,602	5,368,602

The accompanying notes on pages 6 to 25 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 six-month period ended June 30, 2018 and 2017

<i>In thousands of soles</i>	<i>Note</i>	2018	2017
Net profit		700,303	645,259
Other comprehensive income:			
Available-for-sale investments		(9,433)	2,652
Cash flow hedges		(376)	(3,717)
Other comprehensive income for investments in other associates		10	(6)
Income tax related to the components of other comprehensive income		3,352	2,171
Other comprehensive income for the period, net of income tax		(6,447)	1,100
Total comprehensive income for the period		693,856	646,359

The accompanying notes on pages 6 to 25 are part of these consolidated financial statements.

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

Consolidated Statement of Changes in Shareholders' Equity
For the six-month period ended June 30, 2018 and 2017

<i>In thousands of soles</i>	Number of shares in thousands (note 14.B)	Share Capital (note 14.B)	Reserves		Adjustment s to equity (note 14.D)	Retained earnings (note 14.E)	Total equity
			Legal (note 14.C)	Voluntary			
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		-	-	(83)	-	645,259	645,259
Other comprehensive income:							
Net unrealized gain on available-for-sale investments					4,284		4,284
Net unrealized loss on cash flow hedging derivatives					(2,621)		(2,621)
Other comprehensive income from subsidiaries and associates		-	-	-	(563)	-	(563)
Total comprehensive income for the period		-	-	-	1,100	645,259	646,359
Changes in equity (not included in comprehensive income):							
Dividends		-	-	-	-	(722,503)	(722,503)
Capitalization of retained earnings	481,751	481,751	-	(83)	-	(481,668)	-
Transfers to reserves and other movements		-	133,987	(83)		(133,797)	190
Balance as of June 30, 2017	4,883,119	4,883,119	1,383,079	-	1,480	642,944	6,910,622
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						700,303	700,303
Net unrealized loss on available-for-sale investments					(4,242)		(4,242)
Net unrealized loss on cash flow hedging derivatives					(265)		(265)
Other comprehensive income from subsidiaries and associates					(1,940)		(1,940)
Total comprehensive income for the period		-	-	-	(6,447)	700,303	693,856
Dividends						(762,901)	(762,901)
Capitalization of retained earnings and reserves	485,483	485,483		-		(485,483)	-
Transfers to reserves and other movements			138,956			(139,594)	(638)
Balance as of June 30, 2018	5,368,602	5,368,602	1,522,035	-	(60)	699,011	7,589,588

The accompanying notes on pages 6 to 25 are part of these consolidated financial statements.

BBVA BANCO CONTINENTAL AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the six-months period June 30, 2018 and 2017

<i>In thousands of soles</i>	2018	2017
Reconciliation of net profit with cash and cash equivalent from operating activities		
Net profit	700,303	645,259
Adjustments	704,990	646,613
Depreciation and amortization	73,101	59,924
Provisions	357,361	363,688
Other adjustments	274,528	223,001
Net changes in assets and liabilities:	(997,452)	(3,060,763)
Net increase in assets	1,104,618	1,319,505
Loans	(1,245,061)	2,233,145
Investments at fair value through profit or loss	468,812	(1,036,376)
Available-for-sale investments	216,281	(1,554,646)
Other accounts receivable and others	1,664,586	1,677,382
Net increase in liabilities	(2,102,070)	(4,380,268)
Non-subordinated financial liabilities	(1,785,352)	(3,806,032)
Accounts payable and others	(316,718)	(574,236)
Profit or loss for the period after net changes in assets, liabilities and adjustments	407,841	(1,768,891)
Paid current tax, net	7,360	(245,390)
Net cash flows from operating activities	415,201	(2,014,281)
Cash flows from investing activities		
Purchase of intangible assets and properties, furniture and equipment	(49,338)	(67,219)
Other outflows related to investing activities	13,794	27,441
Net cash flows used in investing activities	(35,544)	(39,778)
Cash flows from financing activities		
Others inflows related to financing activities	201,860	-
Others outflows related to financing activities	(1,673,444)	-
Dividends paid	(762,232)	(722,401)
Net cash flows used in financing activities	(2,233,816)	(722,401)
Net decrease of cash and cash equivalent before the effect of exchange rate fluctuations	(1,854,159)	(2,776,460)
Effect of exchange rate fluctuations on cash and cash equivalents	138,350	(539,151)
Net decrease in cash and cash equivalents	(1,715,809)	(3,315,611)
Cash and cash equivalents at beginning of period	13,779,136	14,652,430
Cash and cash equivalents at end of period	12,063,327	11,336,819
Guarantee funds	2,276,963	6,200,832
Interbank funds	-	(224,648)
Investments with a maturity of less than 90 days	(2,154,831)	(428,212)
Cash and due from banks as per the statement of consolidated financial position	12,185,459	16,884,791

The accompanying notes on pages 6 to 25 are part of these consolidated financial statements.

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Notes to the Consolidated Financial Statements
June 30, 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 June 30, 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 June 30, 2018 and December 31, 2017, the Bank develops activities through a national network of 332 offices, respectively. As of June 30, 2018 and December 31, 2017, the total number of employees of the Bank is 6,029 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 June 30, 2018 were approved by the Bank's management.

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Notes to the Consolidated Financial Statements
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2. Basis of Preparation of the Consolidated Financial Statements

A. Statement of compliance

The significant accounting policies and practices as of June 30, 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 June 30, 2018 and as of December 31, 2017:

<i>In million of Soles</i>	Assets		Liabilities		Equity	
	2018	2017	2018	2017	2018	2017
Entity						
BBVA Banco Continental	73,484	76,591	65,890	68,931	7,594	7,660
Continental Bolsa Sociedad Agente de Bolsa S.A.	42	43	25	22	17	21
BBVA Asset Management Continental S.A. SAF	66	58	14	2	52	56
Continental Sociedad Titulizadora S.A.	4	3	-	-	4	3
Inmuebles y Recuperaciones Continental S.A.	162	157	4	4	158	153
Continental DPR Finance Company	222	245	222	245	-	-
BBVA Consumer Finance Edpyme	476	483	407	419	69	64
Forum Comercializadora S.A.	2	2	-	-	2	2
Forum Distribuidora S.A.	193	99	175	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 June 30, 2018, cash and due from banks include approximately US\$ 1,961 and S/ 1,666 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 June 30, 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 36%, over total obligations subject to required reserve (TOSE) in local and foreign currency as required by BCRP (as of December 31, 2017, the

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applicable implicit rates in local and in foreign currencies were 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 June 30, 2018 cash and due from banks includes guarantee funds that support commitments of repurchase agreement of foreign currency with BCRP for US\$ 609 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 June 30, 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)	3,517,917	3,720,682
Sovereign Bonds of the Republic of Peru (b)	123,339	363,445
Mutual funds (c)	88,928	114,868
	3,730,184	4,198,995
Available-for-sale investments:		
BCRP certificates of deposit (a)	1,656,632	2,662,108
Sovereign Bonds of the Republic of Peru (b)/(c)	1,038,917	699,896
Corporate bonds	170,242	105,640
Shares in local companies (d)	33,810	41,656
Shares in foreign companies	821	821
	2,900,422	3,510,121
	6,630,606	7,709,116

- (a) BCRP certificates of deposit are securities freely negotiable in local currency with a maturity until December 2019 (March 2019, as of December 31, 2017); they are acquired through BCRP public bids and traded in the Peruvian secondary market. Of these certificates, as of June 30, 2018, S/ 1,976 million are compromised in repurchase agreements.

As of June 30, 2018, the annual interest in local currency generated by these certificates fluctuates between 2.58% and 2.71% (between 3.05% and 3.25% as of December 31, 2017). The annual interest in foreign currency is 2.71% (1.60% as of December 31, 2017).

- (b) Include global bonds in foreign currency and sovereign bonds in local currency issued by Peruvian Ministry of Economy and Finance and represent internal public debt instruments of the Republic of Peru. In local currency, they have maturities until January 2035 (February of 2042, as of December 31, 2017). Of these bonds, as of June 30, 2018, S/ 459 millions are compromised in repurchase agreements (S/ 310 millions, as of December 31, 2017). In foreign currency, they have maturities until March 2019.

As of June 30, 2018, these bonds accrue interest at annual rates ranging from 1.50% to 5.9% in local currency (between 1.16% and 6.10% as of December 31, 2017) and in foreign currency at an annual rate of 2.46%.

As from November 2017, Sovereign Bonds of the Republic of Peru that the Banks had recorded in

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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 June 30, 2018, their carrying amount is S/ 491 million.

- (c) As of June 30, 2018, part of the sovereign bonds and corporate bonds, in foreign currency has a cash flow hedge (note 7(ii)).
- (d) As of June 30, 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.

As of June 30, 2018 and December 31, 2017, it mainly includes shares of Bolsa de Valores de Lima (BVL) for S/ 33 million and S/ 41 million respectively.

6. Loan Portfolio, Net

As of June 30, 2018 and December 31, 2017, this caption comprises the following:

<i>In thousands of soles</i>	2018		2017	
Direct Loans:				
Loans	18,316,410	38%	18,140,414	38%
Mortgage loans	12,061,345	24%	11,637,944	24%
Foreign trade	6,199,144	12%	6,130,095	12%
Consumer loans	5,705,111	9%	5,065,356	9%
Finance lease	4,305,318	9%	4,679,738	9%
Discounts	991,546	3%	1,111,484	3%
Others	3,044,560	5%	2,776,049	5%
	50,623,434	100%	49,541,080	100%
Past-due and under legal collection loans	1,582,250	2%	1,400,138	2%
Refinanced and restructured loans	1,073,958	2%	1,111,473	2%
	53,279,642	104%	52,052,691	104%
Plus (less):				
Accrued interest	368,452	1%	362,993	1%
Non-accrued interest	(58,173)	-	(57,774)	-
Allowance for loan losses	(2,530,356)	(5%)	(2,361,469)	(5%)
	51,059,565	100%	49,996,441	100%
Contingent loans	14,721,019		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/ 38,602 million as of June 30, 2018 (S/ 38,736 million as of December 31, 2017).

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Notes to the Consolidated Financial Statements

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As of June 30, 2018, part of the mortgage loan portfolio guarantees a debt with Fondo MIVIVIENDA – Programa MIHOGAR for up to S/ 476 million (S/ 500 million as of December 31, 2017).

As of June 30, 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 June 30, 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	12,485,952	23%	12,028,957	23%
Medium business loans	11,401,331	21%	11,551,131	22%
Corporate	11,055,555	21%	10,956,495	21%
Large business loans	9,036,595	17%	8,927,043	17%
Consumer loans	5,876,108	11%	5,280,969	10%
Small business loans	1,334,120	3%	1,257,689	3%
Public Sector Entities	1,049,444	2%	925,380	2%
Financial System Entities	625,575	1%	659,919	1%
Stock brokers	274,099	1%	262,297	1%
Multilateral development	77,001	-	106,901	-
Micro-business loans banks	63,862	-	95,910	-
	53,279,642	100%	52,052,691	100%

As of June 30, 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	18,362,061	34%	17,309,926	33%
Manufacture	9,384,280	17%	8,951,081	18%
Commerce	9,017,045	17%	9,086,584	18%
Real estate, business and rental	3,054,323	6%	3,017,877	6%
Transportation, storage and communications	2,693,637	5%	2,574,841	5%
Agriculture and Livestock	1,476,247	3%	1,570,296	2%
Mining	1,465,402	3%	1,740,273	3%
Electricity, Gas and Water	1,212,310	2%	1,290,543	3%
Building	1,062,051	2%	1,107,513	2%
Financial intermediation	869,039	2%	1,041,749	2%
Others	4,683,247	9%	4,362,008	8%
	53,279,642	100%	52,052,691	100%

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Notes to the Consolidated Financial Statements

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As of June 30, 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	1,013,747	930,652
Recovery of provisions	(654,833)	(601,191)
Income from portfolio recovery	(55)	(11)
Provisions for direct loans, net of recoveries	(358,859)	(329,450)

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 June 30, 2018, the general provision for doubtful loans includes general voluntary and procyclical provisions of S/ 558 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/ 158 million (S/ 298 million during 2017). The selling value amounted to S/ 18 million (S/ 28 million during 2017) and is presented in 'Profit or loss from financial operations' of the consolidated income statement.

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7. Trading and Hedging Derivatives

As of June 30, 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		12,906,571	56,991	53,060
Share, currency and other options		869,352	10,190	10,190
Cross-currency swaps		4,711,057	311,443	226,179
Interest rate swaps		5,576,271	93,703	52,321
Provision for country risk		-	(4,064)	-
		24,063,251	468,263	341,750
Hedging derivatives				
At fair value (i)				
Currency swaps	Bond issuance	246,849	-	49,232
Interest rate swaps	Borrowings	1,276,080	-	42,638
Interest rate swaps	Bond issuance	2,617,600	-	140,359
Cash flows (ii)				
Interest rate swaps	Borrowings	74,789	1,966	-
Currency swaps	Sovereign Bond	114,520	-	262
Currency swaps	Corporate Bond	32,720	-	519
		4,362,558	1,966	233,010
		28,425,809	470,229	574,760
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 June 30, 2018, the Bank has contracted a currency swap for the fair value hedging of bonds issued for a face value equivalent to S/ 247 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/ 1 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 June 30, 2018, the Bank has contracted interest rate swaps (IRS) for a face value equivalent to S/ 3,894 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/ 81 million, included in 'Profit or loss from financial operations' of the consolidated income statement (gain of S/ 0.7 million in 2017).

Cash flow hedging derivatives

- (ii) As of June 30, 2018, the Bank has contracted "interest rate swaps - IRS" for a nominal value equivalent to S/ 75 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 June 30, 2018, the Bank has contracted a "currency swap" for a nominal value of US\$ 45 million for the hedging of bonds recorded as available for sale investment (US\$ 35 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 June 30, 2018, the variation in the fair value of the CCS amounts to 0.8 million loss, which is recorded in equity accounts.

8. Investments in Associates

As of June 30, 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)	6,352	8,281
TFP S.A.C. (b)	3,498	3,945
	9,850	12,226

- (a) As of June 30, 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 June 30, 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	-	2,038	9,588	-	1,868	6,558	50	20,102
Adjustments and other	-	3,756	3,020	-	4,678	(15,936)	-	(4,482)
As of June 30, 2018	120,485	847,720	637,337	8,581	258,837	59,108	305	1,932,373
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	-	18,152	29,918	419	11,744	-	-	60,233
Adjustments and other	-	25	(4,418)	-	(24)	-	-	(4,417)
As of June 30, 2018	-	513,126	385,905	6,674	143,540	-	-	1,049,245
Net cost								
Balance as of June 30, 2018	120,485	334,594	251,432	1,907	115,297	59,108	305	883,128
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 June 30, 2018 and December 31, 2017, this caption comprises the following:

<i>In thousands of soles</i>	2018	2017
Transactions in progress (a)	1,183,732	850,177
Intangible assets, net of amortizations for S/ 29 million (S/ 20 million as of December 31, 2017)	252,405	233,388
Deferred charges (b)	101,528	97,206
Other accounts receivable	71,188	52,753
Tax credit (VAT) and other	19,433	18,056
Tax credit, net of income tax	7,493	289,054
Accounts receivable from the sale of goods, services and trust	542	325
Other	18,555	17,787
	1,654,876	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 June 30, 2018 and December 31, 2017, they include S/ 1,145 million and S/ 803 million related to Treasury transactions, respectively.
- (b) As of June 30, 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 June 30, 2018 and December 31, 2017, this caption comprises the following:

<i>In thousands of soles</i>	2018	2017
Obligations to the public:		
Demand deposits	15,832,196	16,122,804
Time deposits	15,057,984	16,574,653
Savings deposits	14,699,091	14,625,612
Other obligations	84,548	78,707
	45,673,819	47,401,776
Deposits of financial system entities:		
Time deposits	1,103,163	1,489,919
Demand deposits	605,732	370,175
Savings deposits	52,911	64,194
	1,761,806	1,924,288
	47,435,625	49,326,064

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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 June 30, 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 June 30, 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)	3,430,579	3,366,121
MIVIVIENDA program –MIHOGAR credit (b)	527,554	542,843
International financial institutions (c)	504,823	125,010
Corporación Financiera de Desarrollo – COFIDE	10,620	12,112
Accrued interest payable	25,900	23,920
	4,499,476	4,070,006
Securities and bonds: (d)		
Corporate bonds	3,082,520	4,582,939
Subordinated bonds	1,498,958	1,514,978
Finance lease bonds	563,100	563,100
Notes (debt instruments)	201,527	226,202
Negotiable certificates of deposits	64,266	63,788
Accrued interest payable	75,902	87,694
	5,486,273	7,038,701
	9,985,749	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 June 30, 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 June 30, 2018 and December 31, 2017 the Continental Group's borrowings with foreign financial entities accrued interest at an annual average rate ranging from 5.5% to 7.4% (It fluctuated between 3.6% to 7.4% as of December 31, 2017):

<i>In thousands</i>	2018		2017		Maturity
	US\$	S/	US\$	S/	
Deutsche Bank (i)	337,816	1,105,334	341,962	1,108,301	November 2020
Credit Suisse (ii)	200,000	654,400	200,000	648,200	October 2040
Citibank NY	150,000	490,800	150,000	486,150	November 2018
Commerzbank	150,000	490,800	-	-	September 2018
Wells Fargo Bank	75,000	245,400	55,000	178,255	September 2018
Toronto Dominion	60,000	196,320	40,000	129,640	September 2018
Standard Chartered	40,000	130,880	140,000	453,740	September 2018
Other	35,649	116,645	31,643	102,555	July 2018
Bank of Nova Scotia	-	-	40,000	129,640	
Banco del Estado de Chile	-	-	40,000	129,640	
	1,048,465	3,430,579	1,038,605	3,366,121	
Accrued interest	6,546	21,419	7,021	22,755	
	1,055,011	3,451,998	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 June 30, 2018 and December 31, 2017, have resulted in accumulated gains of S/ 37 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, which in management's opinion have been fully complied with.

As of June 30, 2018 and December 31, 2017, the Continental Group holds in accounts payable a balance of S/ 8 and S/ 9 million, respectively, corresponding to deferred issuance expenses, for both periods.

- (b) As of June 30, 2018, these debts mainly include resources obtained for the social housing program MI VIVIENDA (MI HOGAR credit) for S/ 469 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 June 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 June 30, 2018 and December 31, 2017, borrowings with Fondo MIVIVIENDA are secured with mortgage loan portfolio up to S/ 476 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 June 30, 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	490,800	30,000	97,230	July 2018
International Finance Corporation - IFC	4,286	14,023	8,751	27,780	December 2018
	154,286	504,823	38,751	125,010	
Accrued interest payable	1,029	3,367	44	142	
	155,315	508,190	38,795	125,152	

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(d) As of June 30, 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 million or S/ 315 million	PEN	60,000	-	60,000	May 2018
1st issuance, single series - Fourth program	US\$ 100 million	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 million	PEN	150,000	150,000	150,000	December 2026
5th issuance, single series - Fifth program (i)		PEN	200,000	197,664	198,655	April 2019
1st issuance, series A - Sixth program	US\$ 250 million	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 issuance, series A - Seventh program	US\$ 1,000 million	PEN	132,425	132,425	-	June 2021
1st issuance, series B - Seventh program		PEN	69,435	69,435	-	June 2021
1st program, international issuance (ii)	US\$ 500 million	USD	500,000	1,562,996	1,586,647	August 2022
3rd program, international issuance	US\$ 500 million	USD	500,000	-	1,617,637	April 2018
				3,082,520	4,582,939	
Subordinated bonds (iv):						
2nd issuance, series A - First program	US\$ 50 million or S/ 158.30 million	USD	20,000	65,156	64,527	May 2027
3rd issuance, series A - First program		PEN	55,000	77,523	76,879	June 2032
2nd issuance, series A - Second program	US\$ 100 million	PEN	50,000	69,022	68,448	November 2032
3rd issuance, series A - Second program		USD	20,000	65,440	64,820	February 2028
4th issuance, single series - second program		PEN	45,000	59,947	59,449	July 2023
5th issuance, single series - second program		PEN	50,000	65,748	65,202	September 2023
6th issuance, single series - second program		PEN	30,000	38,769	38,447	December 2033
1st issuance, single series - third program	US\$ 55 million	USD	45,000	147,240	145,845	October 2028
First program, international issuance – single series (iii)	US\$ 300 million	USD	300,000	910,113	931,361	September 2029
				1,498,958	1,514,978	
Notes (iv)						
2nd issuance, notes 2012-C y 2012-D	US\$ 235 million	USD	235,000	201,527	226,202	June 2022
				201,527	226,202	
Finance lease bonds:						
1st issuance, series A - Second program	US\$ 250 million	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				64,266	63,788	
Interest payable on securities, bonds, and obligations outstanding				75,902	87,694	
				5,486,273	7,038,701	

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As of June 31, 2018 and December 31, 2017, corporate bonds are unsecured, accrue interest at annual rates in local currency ranging from 4.4% to 7.5%, and in foreign currency fluctuated in 5%.

- (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 June 30, 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/ 73 million as of June 30, 2018 (S/ 34 million as of December 31, 2017 accumulated earnings).
- (iii) 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/ 66 million as of June 30, 2018 (S/ 35 million as of December 31, 2017 of accumulated earnings).
- (iv) The notes issued in June 2012, as of June 30, 2018 amounts of US\$ 63 million (US\$ 71 million as of December 31, 2017), guaranteed by a cash flow hedge generated by electronic payments (Diversified Payments Rights DPRs). These orders are sent to the bank via SWIFT (Society for Worldwide Interbank Financial Telecommunications Network) and earn interest at Libor rate plus a "spread", it includes financing for US \$ 23 million, maturing in June 2022, which has a hedge of cash flow through a "interest rate swap- IRS ". Likewise, it includes financing for US \$ 40 million, agreed at a fixed annual rate of 5%, with maturity in June 2022, which has a fair value hedge through an "interest rate swap - IRS". As of June 30, 2018 and December 31, 2017, it has generated accumulated earnings of S / 4 million and S / 3 million, respectively.

These financings are guaranteed by the present and future flows generated by the electronic payments of clients (Diversified payments rights - DPR's). They also include compliance clauses related to the Bank's financial ratios, and other specific conditions related to the assigned flows, which the Management considers to have complied with as of June 30, 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 June 30, 2018 and December 31, 2017, the Bank maintains accounts payable balance of S/ 10 million and S/ 12 million, respectively, corresponding to deferred issuance expenses.

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13. Provisions and Other Liabilities

As of June 30, 2018 and December 31, 2017, this caption comprises the following:

<i>In thousands of soles</i>	2018	2017
Accounts payable		
BCRP/Local Banks repurchase agreements (a)	4,266,898	4,827,739
Accounts payable to suppliers	313,880	276,678
Interest payable	199,749	274,434
Premiums to deposit insurance fund, contributions and obligations with tax collection entities	128,594	143,833
Other accounts payable	65,156	31,262
Dividends, profit sharing and remunerations payable	63,173	105,592
	5,037,450	5,659,538
Other liabilities		
Transactions in progress (b)	1,228,347	720,123
Deferred income and other	22,490	25,851
	1,250,837	745,974
Provisions		
Provision for contingent loans	215,581	232,563
Provision for lawsuits, litigations and other proceedings related to the activities	215,073	214,459
Other provisions	226,184	226,781
	656,838	673,803
	6,945,125	7,079,315

- (a) It corresponds to the balances of repurchase agreement operations BCRP over foreign currency, certificate of deposit, and sovereign bonds from the Republic of Peru entered with BCRP and Local Banks.
- (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 June 30, 2018, liability transactions in progress include mainly S/ 1,136 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 June 30, 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 June 30, 2018, on an individual basis, the regulatory capital of the Bank and the Edpyme, calculated according to current regulatory requirements are S/ 9,528 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.

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As of June 30, 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/ 64,440 million and S/ 522 million, respectively (as of December 31, 2017 S/ 63,012 million y S/ 523 million, respectively). As of June 30, 2018, the capital adequacy ratio by credit, market and operational risk of the Bank and EDPYME are 14.79% and 13.29%, respectively (as of December 31, 2017 14.20% and 13.28%, respectively).

B. Share Capital

As of June 30, 2018, the Bank's authorized, issued and fully paid-in capital in accordance with its by-laws is represented by 5,368,602 thousand of outstanding ordinary shares with a par value of S/ 1 each. As of December 2017, 4,883,119 thousand of ordinary shares.

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 June 30, 2018 and December 31, 2017 is as follows:

Interest	2018		2017	
	Number of shareholders	Interest %	Number of shareholders	Interest %
Up to 1	7,685	3.3	7,719	3.31
From 1.01 to 5	3	4.46	3	4.45
From 45.01 to 100	2	92	2	92.24
	7,690	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 it replaces the reserve referred to in the General Law of Companies. Also as specified on 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 June 30, 2018, adjustments to equity include S/ 4.1 million for unrealized gains on available-for-sale investment (S/ 8.4 million of unrealized gain as of December 31, 2017), S/ 2 million unrealized losses on investments available for the sale of subsidiaries (S/ 0.2 million for unrealized loss as of December 31, 2017), S/ 0.6 million unrealized gains from the valuation of the cash flow hedge derivative (S/ 0.9 million unrealized gains as of December 31, 2017), S/ 0.1 million of earnings from other adjustments of subsidiaries (As of December 31, 2017, there is S/ 0.2 million corresponding to earnings from other adjustments of subsidiaries) and S/ 2.8 million for unrealized losses by actuarial calculation of liabilities for long-term benefits, for both periods.

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

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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.

15. Interest Income

Accumulated interest income as of the second quarter of 2018 in relation to 2017 decreased by 1% mainly due to the net effect of the decrease in interest from loans portfolio and interest on investments in securities.

16. Interest Expenses

Accumulated interest expenses as of the second quarter of 2018 in relation to 2017 decreased by 14%, mainly due to the net effect of the increase of interest on obligations with foreign financial entities and the decrease of interest on obligations to the public and for accounts payable related to the transactions of repurchase agreements on foreign currency, certificate of deposits and sovereign bonds with the BCRP.

17. Income from Finance Services, Net

Accumulated income and expenses for various financial services as of the second quarter of 2018 in relation to 2017 increase by 5%. 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

Accumulated administrative expenses as of the second quarter of 2018 in relation to 2017 increased by 4%. 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 June 30, 2018 and 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	180	4,883,119
Capitalization of net profit of the year 2017	485,483	485,483	180	485,483
Balance as of June 30, 2018	5,368,602	5,368,602		5,368,602
2017				
Balance as of January 1, 2017	4,401,368	4,401,368	180	4,401,368
Capitalization of net profit of the year 2016	481,751	481,751	180	481,751
Capitalization of net profit of the year 2017		485,483	180	485,483
Balance as of June 30, 2017	4,883,119	5,368,602		5,368,602

As of June 30, 2018 and 2017, earnings per share calculated based on the average number of shares amounted to S/ 0.1304 and S/ 0.1202, respectively.

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20. Related Party Transactions

As of June 30, 2018 and December 31, 2017, the consolidated 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 consolidated statement of financial position arising from related parties as of June 30, 2018 and December 31, 2017 are as follows:

<i>In thousands of soles</i>	2018	2017
Assets		
Cash and due from banks	1,849	220,332
Loan portfolio	841,739	634,184
Other assets	405,270	454,153
Liabilities		
Deposits	670,519	583,832
Borrowings and financial obligations	58,053	57,727
Other liabilities	342,543	292,225
Contingent	8,486,885	7,754,764

- (b) The effects of transactions with related parties in the consolidated income statement of Continental Group for the year ended June 30, 2018 and 2017 is as follows:

<i>In thousands of soles</i>	2018	2017
Interest income	1,980	1,539
Interest expenses	(5,037)	(5,736)
Other expenses, net	(40,946)	(42,085)

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

As of June 30, 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 June 30, 2018 and December 31, 2017, direct loans to employees, directors, officers and key personnel amounted to S/ 432 million and S/ 422 million, respectively.

Likewise, as of June 30, 2018 and 2017, key management personnel and board of directors' compensation totaled S/ 6 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, except by:

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2018 and December 31, 2017

In July 2018, the Bank carried out the following issuance, the principal will be fully paid off upon maturity:

<i>In thousands of soles</i>	Currency	Amount	Term/ Expiration	Annual Interest rate
Corporate bonds	S/	100,000	5 years	5.53%