BBVA Continental

Management Report

March 2018

Lima, April 17th, 2018

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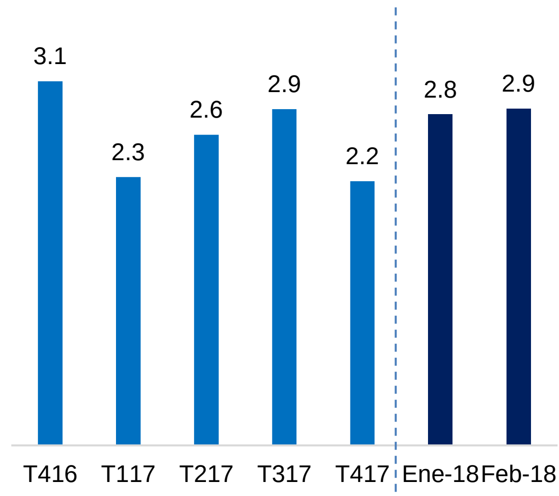
I. Peruvian Economy Evolution

1. Economic activity

The activity grew 2.8% so far this year (first two months). The expansion was mainly explained by the increase in public spending, which at a sector level was observed in the better performance of the Construction sector. Whereas, Commercial and Services sectors, more trend-oriented activities that closely reflect domestic demand behavior, grew around 2.5% and 4.0%, respectively. For the first quarter of the year, we estimate a GDP growth of 3.2%, the highest rate in a year and a half.

GDP (YoY%)

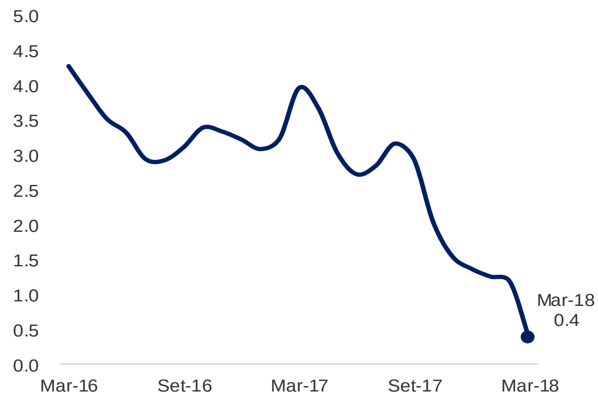


Source: INEI y BBVA

2. Inflation

Inflation has declined significantly and quickly in recent months falling to 0.4% (below the target range), the lowest level since 2009. The declining trend in inflation was mainly explained by a decrease in food prices after the effect of “El Niño Costero” was dissipated and, particularly, by overproduction. Additionally, the absence of demand pressures on prices (due to the current economic cycle) and PEN appreciation contributed to inflation decline. However, current inflation level is transitory. For the upcoming quarter, inflation will tend to converge gradually to the center of the target range. Our projections assume a normalization of food prices (at this moment at -5% YoY, while the monthly average of the last five years has been around 3%), that will (by far) compensate the downward pressures on inflation that arise from the slacks maintained by different sectors of the economy.

Consumer Price Index – Lima Metropolitana (YoY%)



Source: INEI y BBVA

3. Exchange Rate

During the first quarter of 2018, Peruvian currency showed an appreciation of 0.4%, standing in March at S/ 3.228 per dollar (S/ 3.241 per dollar at the end of 2017). This happened despite the political tensions that led to the resignation of the President. We estimate that the exchange rate will close the year at very similar levels from the current ones, in an environment where inflows of dollars are expected from the commercial and financial side. This tendency to strengthen the local currency will probably be eased off by an active Central Bank.

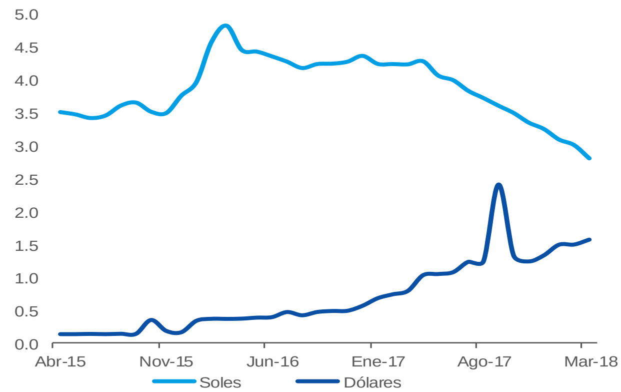
Exchange Rate (USDPEN)

Source: BCRP

4. Interest rates

In March, the average interbank interest rate in local currency was 2.81%, above the level of the Central Bank reference rate (2.75%). It should be noted that the interbank interest rate has been decreasing steadily, in line with the Central Bank monetary easing. On the other hand, average interbank interest rate in USD increased and stood at 1.58% and depicts an upward trend, reflecting the gradual normalization of monetary policy in the United States.

Interbank interest rate (period average)

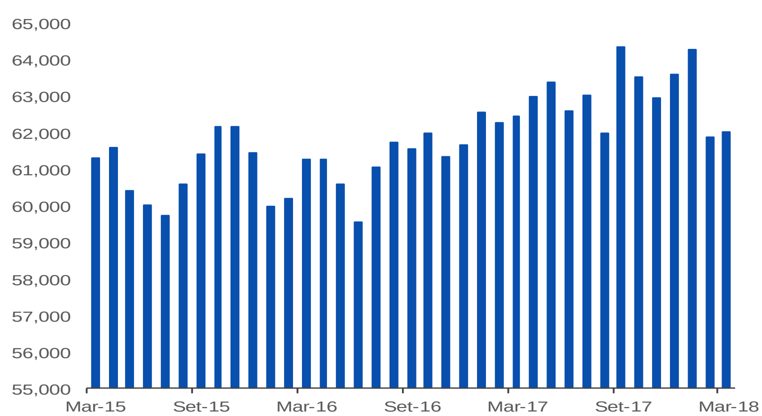


Source: BCRP

5. Net international reserves

As of March 2018, International Reserves reached USD 62,032 million, USD 1,589 million below the balance of December 2017. This reduction was explained by the decrease of deposits in banking companies for USD 1,519 million and the lower deposits of the public sectors in USD 616 million, which was offset by the purchase of dollars from the public sector (USD 404 million).

International Reserves (million USD)



Source: BCRP

II. Peruvian Banking System Evolution

Main figures (million PEN)	Mar-17	Mar-18	Δ YoY (Mar-18 / Mar-17)	
			Absolut	%
Balance sheet				
Total Assets	354,068	370,617	16,549	5%
Net loans	223,898	238,512	14,614	7%
Provisions for direct loans	(10,726)	(11,726)	(1,000)	9%
Total Liabilities	316,132	328,485	12,353	4%
Customer Deposits	213,740	227,581	13,841	6%
Equity	37,936	42,132	4,197	11%
Income Statement				
Gross financial margin	4,725	4,904	180	4%
Provisions for direct loans	(1,258)	(1,405)	(147)	12%
Administrative expenses	(2,501)	(2,562)	(61)	2%
Profit/Loss before income tax	2,321	2,715	395	17%
Net Profit	1,740	2,061	320	18%

Main Ratios	Mar-17	Mar-18	Δ YoY (Mar-18 / Mar-17)	
Asset Quality				
Non-performing Ratio	3.01%	3.07%	6	bps
Coverage Ratio	153.2%	153.7%	54	bps
Profitability and efficiency Ratios				
ROE	19.32%	18.61%	(72)	bps
ROA	2.04%	2.14%	10	bps
Efficiency Ratio	42.16%	40.76%	(140)	bps
Solvency				
Global Capital Ratio	15.78%	15.11%	(67)	bps

Source: SBS/ASBANC.

Total assets were S/ 370,617 million as of March 2018 and increased +5% YoY. Net loans continued to rise and registered a growth of +7% in the same period. This increase was explained by a significant growth of retail loans by +7.4%, within them consumer loans (+10.6%) and mortgage loans (+7.5%) had the best performance. In the same line, business loans increased but in a slower pace (+5.9%).

Regarding Asset Quality, the non-performing ratio stood at 3.07%, and stayed at similar levels as the one of March 2017 (+6 bps). This slight growth took place in an environment where non-performing loans increased by +8.9% compared to performing loans (+6.4%). On the other hand, the coverage ratio increased by 54 basis points YoY and reached 153.7% in March 2018.

Total liabilities registered S/ 328,485 million as of March 2018 and had a positive variation of +4%. In that sense, customer deposits stood at S/ 227,581 and grew +6%, explained by a significant increase in retail deposits (+11.5%), followed by higher business deposits (+ 4%).

Regarding profits, the gross financial margin was S/ 4,904 million, increasing YOY by + 4%. The net profit was S/ 2,061 million as of March 2018, showing a positive variation of +18% in YoY terms. Profitability indicators for this period were 18.61% and 2.14% for ROE and ROA, respectively.

III. BBVA Continental

1. Highlights

Main figures (million PEN)	1Q17	4Q17	1Q18	Δ QoQ (1Q18 / 4Q17)		Δ YoY (1Q18 / 1Q17)	
				Absolut	%	Absolut	%
Balance sheet							
Total Assets	75,730	76,591	77,197	606	0.8%	1,467	1.9%
Net loans portfolio	47,055	49,892	49,925	33	0.1%	2,871	6%
Provisions for direct loans	(2,345)	(2,341)	(2,436)	(95)	4.1%	(91)	4%
Total Liabilities	69,148	68,931	69,959	1,028	1.5%	810	1.2%
Obligations to the public	46,615	47,402	47,092	(310)	-0.7%	477	1.0%
Equity	6,582	7,660	7,239	(421)	-5%	657	10.0%
Income Statement							
Gross financial margin	714	734	727	(7)	-1.0%	13	1.8%
Provisions for direct loans	(140)	(26)	(176)	(151)	583.5%	(36)	25.6%
Income from financial services, net	182	202	179	(23)	-11.6%	(3)	-1.7%
Administrative expenses	(366)	(379)	(377)	2	-0.6%	(11)	2.9%
Profit/Loss before income tax	440	523	466	(57)	-10.8%	26	5.9%
Net Profit	317	388	334	(54)	-13.9%	16	5.2%
Main Ratios	**Mar-17**	**Dec-17**	**Mar-18**	**Δ Mar-18 / Dec-17**		**Δ Mar-18 / Mar-17**	
Asset Quality							
Non-performing Ratio	2.73%	2.68%	2.83%	15	bps	10	bps
Coverage Ratio	174.8%	168.5%	165.6%	(292)	bps	(920)	bps
Profitability and efficiency Ratios							
ROE	20.41%	19.52%	19.29%	(23)	bps	(112)	bps
ROA	1.74%	1.83%	1.86%	3	bps	12	bps
Efficiency Ratio	38.67%	37.89%	39.28%	139	bps	61	bps
Solvency							
Global Capital Ratio	14.98%	14.20%	14.98%	78	bps	0	bps
Tier 1 Ratio	11.35%	10.84%	11.54%	69	bps	19	bps

Source: ASBANC

- ✓ BBVA Continental increased its net income by +5.2% YoY.
- ✓ Net loans reached S/ 49,925 million, growing 2,871 million compared to 1Q17, which reflect a great performance in both retail and business loans.
- ✓ The main funding source were obligations to the public that stood at S/ 47,092 million, with an increase of +1% YoY. It should be noted that demand and saving deposits grew +13.3%, while term deposits decreased -16.9%. The aforementioned allowed BBVA Continental to achieve its strategy of having a more efficient funding structure.
- ✓ The Bank continues to improve its digital platform to benefit both retail and business clients. For the former, some tools such as BBVA Wallet were implemented to make the payment process easier and BBVA Manager to help clients to improve their financial

management. From the business side, new tools were launched such as Netcash that is a digital platform to obtain different products through digital channels, and T-Cambio that allows making exchange operations at market prices.

- ✓ The bank has a wide distribution network that enables it to provide a high quality service to its customers. BBVA Continental has 320 branches, 1,965 ATM and 11,721 express agents[1].

2. Asset Management

Assets (million PEN)	1Q17	4Q17	1Q18	Δ QoQ (1Q18 / 4Q17)		Δ YoY (1Q18 / 1Q17)	
				Absolut	%	Absolut	%
Cash and due from banks	18,080	15,310	14,816	(494)	-3.2%	(3,264)	-18.1%
Interbank funds	140	-	85	85	-	(55)	-39%
Investments at fair value through profit or loss	260	4,084	4,533	448	11.0%	4,273	1643.7%
Available-for-sale investments	5,385	3,461	3,647	185	5.3%	(1,738)	-32.3%
Held-to-maturity investments	472	-	-	-	-	(472)	-100.0%
Net loan portfolio	47,055	49,892	49,925	33	0.1%	2,871	6.1%
Property, furniture and equipment	879	923	897	(26)	-2.9%	17	2.0%
Other assets	3,459	2,920	3,295	375	12.8%	(164)	-4.8%
Total Assets	**75,730**	**76,591**	**77,197**	**606**	**0.8%**	**1,467**	**1.9%**

Source: ASBANC

<u>1Q18 vs 4Q17</u>

Total assets in 1Q18 reached S/ 77,197 million, higher in S/ 606 million (+0.8%) than that registered at the end of 4Q17. The net loan portfolio remained at similar levels QoQ, representing 64.7% of total assets. The increase in assets is mainly due to a rise in Investments at fair value in S/448 million (+11.0%), Available-for-sale investments in S/ 185 million (+5.3%) and Other Assets in S/ 375 million (+12.8%). These growth was partially offset by a decrease in Cash and Due from banks account of S/ 494 million (-3.2%), because of lower USD excesses.

<u>1Q18 vs 1Q17</u>

The YoY analysis reveals an increase in total assets of S/ 1,467 million (1.9%), linked to the growth in net loans of S/ 2,871 million (+6.1%). Cash and due from banks account (specifically the demand account in BCRP) decreased S/ 3,264 million, reallocating most of it in Investments which increased by S/ 2,063 million.

[1] Source: Express agents and ATMs from ASBANC, branches from SBS.

Loans

Loans (million PEN)	1Q17	4Q17	1Q18	Δ QoQ (1Q18 / 4Q17)		Δ YoY (1Q18 / 1Q17)	
				Absolut	%	Absolut	%
Performing loans	47,199	49,790	49,820	29	0.1%	2,621	5.6%
Non-performing loans	1,320	1,364	1,444	80	5.9%	124	9.4%
Refinanced and restructured loans	880	1,079	1,098	19	1.7%	217	24.7%
Gross loan portfolio	**49,400**	**52,233**	**52,362**	128	0.2%	2,962	6.0%
Provisions	**(2,345)**	**(2,341)**	**(2,436)**	(95)	4.1%	(91)	3.9%
Net Loan Portfolio	**47,055**	**49,892**	**49,925**	**33**	**0.1%**	**2,871**	**6.1%**

Source: ASBANC

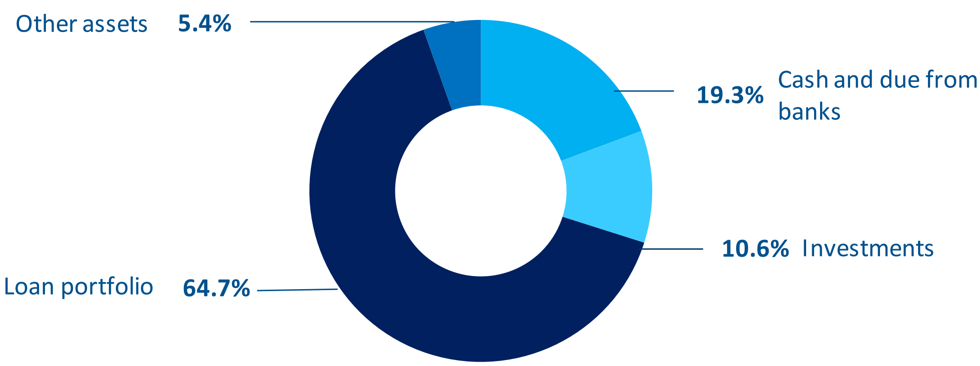
1Q18 vs 4Q17

Net loans portfolio remained at similar levels to the previous quarter (+0.1%). The QoQ analysis showed an increase of retail loans of +2.8% approximately, while business loans decreased around -1.2%. By type of currency, loans in local currency maintained a weight on the portfolio of 66% (slightly higher than 4Q17 at 44 bps), reaching S/ 33,048 million (+0.73%). Loans in foreign currency stood at S/ 16,878 million and decreased -1.2% in the same period.

1Q18 vs 1Q17

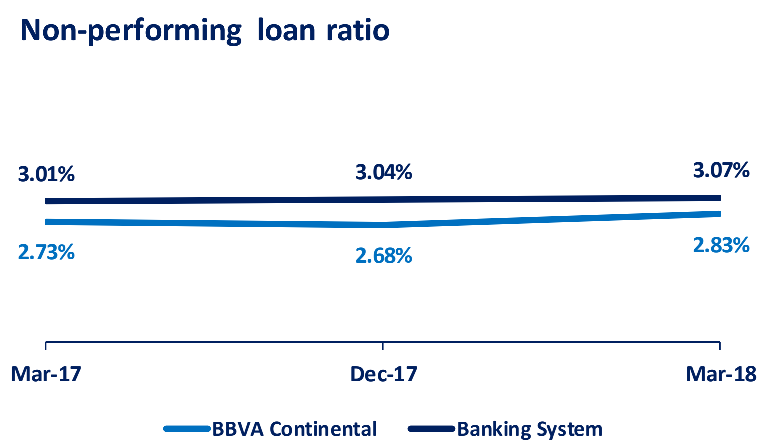
Net loan portfolio grew by S/ 2,871 million (+6.1%) YoY. The segment that showed the highest growth was retail banking that increased around +10%, followed by wholesale banking that increased +3% approximately. It is important to bear in mind that since the last quarter of 2016 there has been a strong competition for corporate loans where banks have been very aggressive in subrogation. However, BBVA Continental has decided to focus on improving its relationship with its corporate customers and the profitability of its portfolio.

Asset structure
March 2018



In line with BBVA Continental´s strategy, efforts have been focused on increasing market share in segments with higher profitability, such as Consumer loans and Credit Cards in the retail segment, and in Middle Enterprises loans in the wholesale segment. In this regard, as of March 2018, there was an increase in Consumer loans (+ 148bps), Credit Cards (+ 58bps) and Middle Enterprises (+ 94bps) market share compared to that of March 2017. It should be noted that the greater penetration in these segments is accompanied by an exhaustive risk evaluation, thus maintaining the most conservative profile in the banking system.

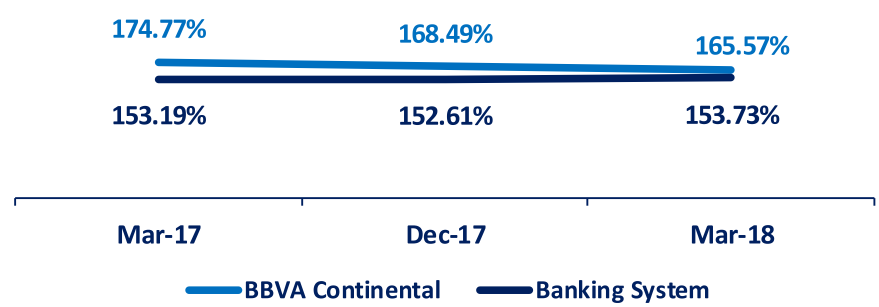
Asset Quality



Source: SBS

As of March 2018, the non-performing loan ratio was 2.83%, higher than the ratio registered in 4Q17 (2.68%) and in March 2017 (2.73%), but still below the banking system average (3.07%). In addition, performing loans in 1Q18 increased by S/ 2,621 million (+ 5.6%) with respect to 1Q17, while non-performing loans increased by a greater proportion (+ 9.4%) due to a general deterioration of the system related to the economic cycle. On the other hand, growth of the gross loan portfolio kept stable (+0.2%) compared to the previous quarter due to the low credit activity at the beginning of the year. The latter did not help to mitigate the growth of non-performing loans that increased by + 5.9% QoQ.

Coverage ratio



Source: SBS

The level of provisions for direct loans increased as compared to 4Q17 (+ 4.1%) and 1Q17 (+ 3.9%), reaching S/ 2,436 million. On the other hand, the coverage ratio was 165.57% below the previous quarter (168.49%) and the one of March 2017 (174.77%). It is important to keep in mind that during the 4Q17 there was a transfer from direct voluntary provisions to the indirect specific provisions account, due to the change in the classification of an important client of the construction sector to Substandard. This action was carried out as a precautionary measure due to the uncertainty that covers the construction sector, and in line with the conservative profile maintained by the bank.

3. Liability Management

Liabilities and Equity (million PEN)	1Q17	4Q17	1Q18	Δ QoQ (1Q18 / 4Q17)		Δ YoY (1Q18 / 1Q17)	
				Absolut	%	Absolut	%
Obligations to the public	46,615	47,402	47,092	(310)	-0.7%	477	1.0%
Deposits of financial entities	1,618	1,971	2,033	62	3.2%	415	25.6%
Interbank funds	255	911	410	(502)	-55.1%	155	60.6%
Due to banks and financial obligations	9,581	11,066	12,094	1,029	9.3%	2,513	26.2%
Other liabilities	11,079	7,582	8,330	748	9.9%	(2,749)	-24.8%
Total liabilities	**69,148**	**68,931**	**69,959**	1,028	**1.5%**	810	**1.2%**
Equity	**6,582**	**7,660**	**7,239**	(421)	**-5.5%**	657	**10.0%**
Total liabilities and equity	**75,730**	**76,591**	**77,197**	**606**	**0.8%**	**1,467**	**1.9%**

Source: ASBANC

1Q18 vs 4Q17

Total liabilities rose S/ 69,959 million, presenting an increase of S/ 1,028 million (+1.5%) compared to 4Q17. This increase was explained by the growth in Due to Banks and Financial Obligations account in S/ 1,029 million (+9.3%), drove by an expansion of short term trade debt, and by the account of Other liabilities in S/ 748 million (+9.9 %). However, this increase was limited by Obligations to the public and Interbank funds, which showed a slight decrease of S/ 310 million (-0.7%) and S/ 502 million (-55.1%), respectively.

1Q18 vs 1Q17

Total liabilities expanded by S/ 810 million (+1.2%) compared to 1Q17. This was mainly explained by an increase in Obligations to the public in S/ 477 million (+1%) as well as in deposits of financial entities, and due to banks and financial obligations account that increased by S/ 415 million (+ 25.6%) and in S/ 2,513 million (+ 26.2%), respectively. As mentioned above, this last variation represents the increase in short-term trade debt. However, the Other Liabilities account drop significantly by S/ 2,749 million (-24.8%) YoY, due to a decrease in the volume of currency REPOs that were taken with the Central Bank. In this regard, this funding was replaced by an increase in customer deposits and local issuances in the last quarter of 2017, which represent a more efficient funding source.

Deposits

Deposits (million PEN)	1Q17	4Q17	1Q18	Δ QoQ (1Q18 / 4Q17)		Δ YoY (1Q18 / 1Q17)	
				Absolut	%	Absolut	%
Demand deposits	14,334	16,123	16,292	169	1.0%	1,958	13.7%
Saving deposits	13,115	14,626	14,799	173	1.2%	1,684	12.8%
Term deposits	19,093	16,575	15,866	(709)	-4.3%	(3,227)	-16.9%
Other obligations	73	79	135	57	72.3%	62	85.6%
Obligations to the public	**46,615**	**47,402**	**47,092**	(310)	**-0.7%**	477	1.0%
Deposits of financial entities	**1,618**	**1,971**	**2,033**	62	**3.2%**	415	25.6%
Total Deposits	**48,233**	**49,372**	**49,125**	**(247)**	**-0.5%**	**892**	**1.8%**

Source: ASBANC

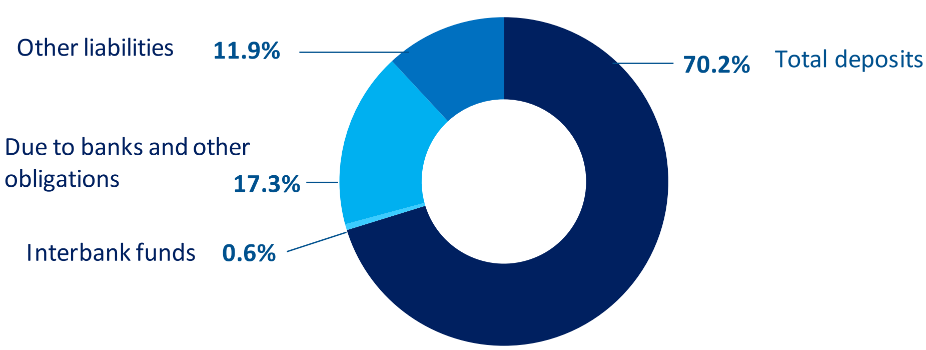
1Q18 vs 4Q17

Obligations to the public in 1Q18 represented 67.3% of total liabilities, and rose S/ 47,092 million, a slightly lower amount than the last quarter in S/ -310 million (-0.7%). The latter reflected a significant decrease in term deposits (-4.3%); while savings and demand deposits increased by + 1.2% and + 1.0%, respectively. By type of currency, deposits in local currency maintained their weight around 59% of total deposits, higher than that of 4Q17 by 10 bps, and standing at S/ 28,006 million (-0.5%). On the other hand, deposits in foreign currency reached S/ 19,085 million with a decrease of -0.9%.

1Q18 vs 1Q17

Total deposits registered a + 1.8% growth YoY, supported by the higher deposits of financial entities (+25.6%) and obligations to the public (+1.0%). The higher customer deposits are explained by the growth of demand deposits in + 13.7% and savings deposits in + 12.8%, offset by a significant drop in term deposits (-16.9%). It is important to mention that the bank's strategy in terms of deposit management is to focus its efforts on increasing the volume of transactional deposits (demand and savings) of the retail segment that constitute a more efficient and stable source of funding for the bank. The impact of these efforts is clearly reflected in a significant decrease of interest expenses explain in the upcoming section.

Liability structure
March 2018



4. Income Statement

Income Statement (million PEN)	1Q17	4Q17	1Q18	Δ QoQ (1Q18 / 4Q17)		Δ YoY (1Q18 / 1Q17)	
				Absolut	%	Absolut	%
Interest Income	1,098	1,104	1,069	(34)	-3.1%	(28)	-2.6%
Interest Expenses	(384)	(369)	(342)	27	-7.4%	42	-10.8%
Gross financial margin	**714**	**734**	**727**	**(7)**	**-1.0%**	**13**	**1.8%**
Provisions for directs loans	(140)	(26)	(176)	(151)	583.5%	(36)	25.6%
Net financial margin	**574**	**708**	**551**	**(158)**	**-22.3%**	**(23)**	**-4.0%**
Income from financial services	254	287	264	(23)	-8.0%	10	4.0%
Expenses from financial services	(72)	(85)	(85)	(1)	0.6%	(13)	18.6%
Net finan. Marg. of income and expen. for finan. servic	**755**	**910**	**729**	**(181)**	**-19.9%**	**(26)**	**-3.4%**
Gain / Loss from Financial Operations (ROF)	129	145	149	4	3.1%	20	15.6%
Operating margin	**885**	**1,055**	**879**	**(177)**	**-16.7%**	**(6)**	**-0.7%**
Administrative expenses	(366)	(379)	(377)	2	-0.6%	(11)	2.9%
Depreciation and amortization	(29)	(32)	(35)	(3)	8.2%	(6)	20.7%
Net operating margin	**489**	**644**	**467**	**(177)**	**-27.5%**	**(22)**	**-4.6%**
Asset valuation and other provisions	(33)	(107)	3	110	-102.8%	36	-109.3%
Operaitonal results	**456**	**537**	**470**	**(67)**	**-12.4%**	**14**	**3.0%**
Other income and expenses	(16)	(13)	(3)	10	-74.0%	13	-78.2%
Profit / Loss before income tax	**440**	**523**	**466**	**(57)**	**-10.8%**	**26**	**5.9%**
Income tax	(123)	(135)	(133)	3	-2.1%	(10)	7.9%
Net Profit	**317**	**388**	**334**	**(54)**	**-13.9%**	**16**	**5.2%**

Source: ASBANC

<u>1Q18 vs 4Q17</u>

Gross financial margin fell (-1%) due to a decrease in interest income (-3.1%) explained by lower results from the loan portfolio (-3.7%) related to a reduction in the implicit rates of business loans. The aforementioned was partially offset by lower interest expenses (-7.4%) associated to (i) a lower volume of term deposits that allowed interest related to obligation with the public to drop S/ -23.6 million (-14.7%), and to (ii) a reduction in accounts receivable due to the lower volume of Currency REPOs with the Central Bank.

On the other hand, Provisions for direct loans increased S/ 150 million, because of an atypical 4Q17. During the last months of 2017, voluntary provisions were released due to the adequacy of BBVA Group to the International Financial Reporting Standards, IFRS 9. It should be mentioned that a large part of those released voluntary provisions were used to cover indirect risks related to one of the largest Peruvian construction company investigated for corruption, therefore indirect provisions were increased for approximately S/ 89 million in December as a preventive measure. Consequently, that atypical 4Q17 is the reason why there is an increase in direct provisions and a decrease in provisions for indirect loans in 1Q18.

Revenues from financial services decreased S/ 23 million (-8%) due to a reduction in various commissions related to retail products with a negative seasonal effect and to a low dynamism in the letters of guarantee given the political situation of the country. On the other hand, the Expenses for financial services remained stable.

In terms of Gains on financial transactions (ROF), results increased by S/ 4 million (+ 3.1%), as a consequence of higher exchange operations through the offices, T-Cambio and the Treasury department in a highly volatile environment of the exchange rate due to the political uncertainty. Likewise, gains in shareholdings improved in line with the higher revenues of the subsidiaries, which made it possible to offset the losses from trading derivatives. In addition, higher results were obtained from investments at fair value (+ 97.6%) in fixed income driven by the lower rates in PEN.

On the other hand, Administrative Expenses diminished S/ 2.4 million (-0.6%), as a result of lower expenses for services received from third parties (-3.6%), this allowed to compensate higher personnel expenses (+ 2.2%) related to provisions because of the entry of new employees who will carry out the strategic plans for this year.

Profit before income tax decreased S/ 56.7 million (-10.8%), while the implicit tax rate went from 25.9% to 28.4%. Consequently, the Bank reached a Net Profit of S/ 333.8 million at the end of 1Q18, contracting -13.9% with respect to the compared period.

1Q18 vs 1Q17

Gross financial margin increased + 1.8%, due to a reduction of -10.8% in interest expenses associated to (i) lower balance of REPO operations with the BCRP; and (ii) a decrease in the implicit rate of loans payable as a result of the growth of transactional deposits, and a decrease in term deposits. Likewise, the decrease in expenses allowed compensating the fall in interest income of -2.6%, as a result of lower interests of the business loan portfolio in an environment of lower rates and higher competition. This could not be offset by the upper interest of the retail portfolio, and the increase of approximately S/ 10 million interest from Investments due to a higher investment portfolio.

On the other hand, Provisions for direct loans increased S/ 36 million (+ 25.6%) associated to a growth of generic provisions related to the evolution of the current loan portfolio during 1Q18. It is important to mention that BBVA Continental maintains an adequate level of required provisions according its internal risk models, thus the bank conserves the lower cost of risk among its peers.

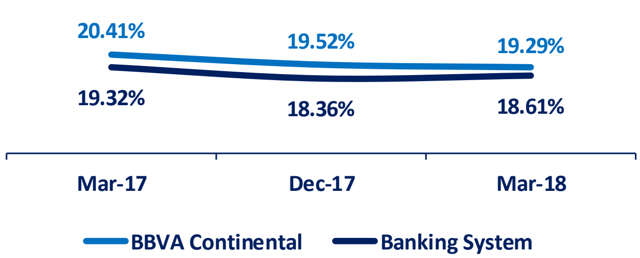
Financial services income grew S/ 10 million (+ 4%) due to higher fees charged related to retail products, as well as revenue from direct debits and collections, and insurance sales commissions. On the other hand, financial services expenses grew S/ 13 million (+ 18.6%).

Gains on financial operations (ROF) increased S/ 20 million (+ 15.6%), as a result of, higher results from currency exchange transactions through the offices, T-Cambio and the treasury department caused by the high volatility of the exchange rate observed.

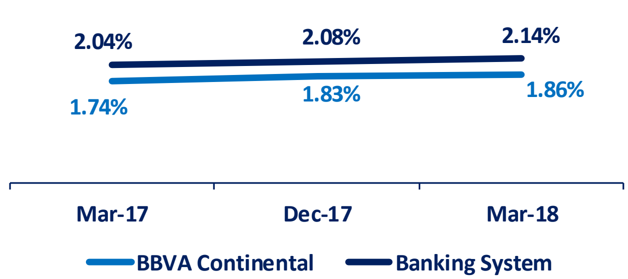
On the other hand, Administrative expenses grew S/ 10.6 million (+ 2.9%) due to an increase in personnel expenses of S/ 8.9 million (+ 5.1%) in line with the increase in personnel provisions to cover the implementation of different strategic plans, according to what was budgeted for 2018. It is worth mentioning that, several years ago, the Bank implemented various plans in order to keep administrative expenses under control and to manage the available resources efficiently. The aforementioned helped to achieve an efficiency ratio of 39.28%, lower than the banking system average of 40.76% as of March 2018.

Profit before income tax increased S/ 26 million (+ 5.9%), while income taxes raised S/ 9 million in line with the higher results, keeping the implicit tax rate around 28%. In this way, the Bank reached a Net Profit of S/ 333.8 million at the end of 1Q18, achieving a growth of 5.2% compared to the reference period and affirming its competitive position as the second bank in Peru.

Return on Equity



Return on Assets



Source: SBS

In addition, the BBVA Continental has a ROA of 1.86%, and a ROE of 19.29%, above the banking system average (18.61%) as of March 2018.

5. Solvency and regulatory capital

Cifras en millones de soles	1T17	4T17	1T18	1T18 vs. 4T17		1T18 vs. 1T17	
				Abs	%	Abs	%
TOTAL CAPITAL REGULATORIO	**8,942**	**8,947**	**9,451**	**504**	**5.6%**	**509**	**5.7%**
(i) Capital Básico (Nivel 1)	6,776	6,832	7,279	447	6.5%	503	7.4%
(ii) Capital Complementario (Nivel 2)	2,165	2,115	2,171	56	2.7%	6	0.3%
Capital	4,883	4,883	5,369	485	9.9%	485	9.9%
Reservas	1,415	1,522	1,555	33	2.2%	141	9.9%
Utilidades con acuerdo de capitalización	-	-	-	-			
Provisiones	683	726	727	2	0.2%	44	6.4%
Deuda Subordinada Tier 1	585	583	516	(67)	-11.5%	(68)	-11.7%
Deuda Subordinada Tier 2	1,578	1,536	1,594	59	3.8%	16	1.0%
Detracciones y Goodwill	-202	-302	-311	(9)	2.9%	(109)	54.0%
ACTIVOS PONDERADOS POR RIESGO TOTALES	**59,704**	**63,012**	**63,097**	**85**	**0.1%**	**3,393**	**5.7%**
(i) Activos Ponderados por Riesgo de Crédito	54,504	57,950	58,089	139	0.2%	3,585	6.6%
(ii) Activos Ponderados por Riesgo de Mercado	889	623	530	(93)	-15.0%	(359)	-40.4%
(iii) Activos Ponderados por Riesgo Operacional	4,311	4,439	4,479	39	0.9%	168	3.9%
RATIOS DE CAPITAL							
Common Equity	**10.37%**	**9.92%**	**10.72%**				
Tier 1	**11.35%**	**10.84%**	**11.54%**				
Mínimo Legal Ajustado al Perfil de Riesgo	**11.89%**	**12.17%**	**12.18%**				
Capital Global	**14.98%**	**14.20%**	**14.98%**				

As of March 2018, the bank registered a Global Capital Ratio of 14.98%, higher than the 14.20% reported in December and similar to the one reported in March 2017. This higher ratio QoQ is explained by the capitalization of 45% of the results obtained in 2017.During the Annual General Meeting, held at the end of March, it was approved to allocate S/ 485 million to increase capital, S/ 139 million to increase legal reserves and to distribute the remaining 55% in cash dividends. It should be mentioned that due to the gradual implementation of the SBS Resolution No. 975 - 2016 referring to subordinated debt characteristics, 20% of the Tier 1 Hybrid instrument of $ 200 million is reduced on a yearly basis from primary capital and computed as part of the secondary capital since January 2017. In this regard, the regulatory capital was S/ 9,451 million, with a QoQ variation of S/ 504 million and a YoY variation of S/ 509 million.

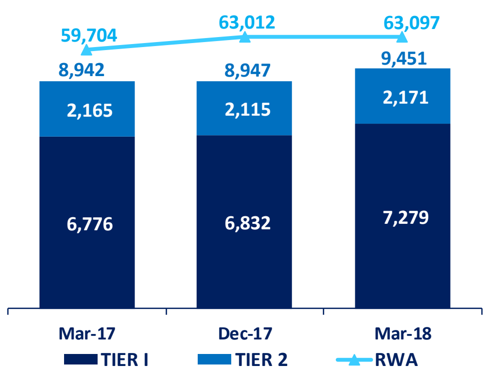
Risk-weighted Assets (RWA) stood at S/ 63,097 million, slightly higher than those of December (+0.1); RWA grew S/ 3,393 million (+ 5.7%) compared to March 2017 due to the higher Credit RWA (+ 6.6%) in response to the growth of gross loan portfolio (+ 6%). On the other hand, Market RWA were S/ 530 million, decreasing with respect to previous periods. Operational

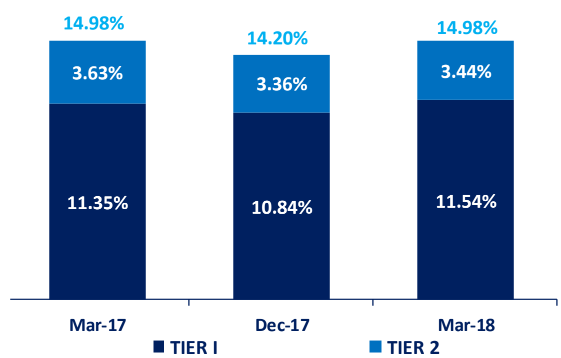
RWA were S/ 4,479, increasing + 0.9% and + 3.9% compared to December and March 2017, respectively.

It is important to highlight that BBVA Continental shows adequate levels of solvency and complies with capital requirements, which are being implemented as part of the process to adequate from local regulations to international standards. Thus, the Tier 1 ratio stood at 11.54% and the Global Capital Ratio reached 14.98% that is above the global limit adjusted to the institution risk profile established at 12.18%.

Regulatory capital, Risk Weighted Assets and Capital Ratios

Million PEN and %





Source: SBS.

6. Appendix

Risk Ratings

BBVA Continental holds the investment grade granted by two prestigious international rating agencies: Fitch Ratings and Standard & Poor's. It is important to mention that, on April 2018, Standard & Poor's raised the Long Term rating to 'BBB +' from 'BBB', affirmed 'Short Term' rating in 'A-2', affirmed the rating of non redeemable Subordinated Debt at 'BBB-' and set the perspective to 'Stable'.

International risk ratings

Instruments	Fitch Ratings	Standard & Poor's
Foreign currency long term issuances	BBB+	BBB+
Foreign currency short term issuances	F2	A-2
Local currency long term issuances	BBB+	BBB+
Local currency short term issuances	F2	A-2
Outlook	Estable	Estable

Ratings as of March 2018

Source: www.fitchratings.com / www.standardandpoors.com

In addition, BBVA Continental is subject to the credit rating carried out by three local rating agencies: Apoyo & Asociados, Equilibrium Risk Rating and Pacific Credit Rating (PCR).

National risk ratings

Instrumento	Apoyo & Asociados	Equilibrium	Pacific Credit Rating
Short term deposits	CP-1+(pe)	EQL 1 + pe	$_{PE}$Categoría I
Term deposits > 1 year	AAA (pe)	AAA.pe	$_{PE}$AAA
Corporate bonds	AAA (pe)	AAA.pe	$_{PE}$AAA
Subordinated bonds	AA+ (pe)	AA+.pe	$_{PE}$AA+
Leasing bonds	AAA (pe)	AAA.pe	$_{PE}$AAA
Common shares	1a (pe)	1a Clase.pe	$_{PE}$N1
Issuer rating	A+	A+	$_{PE}$A+
Negotiable Certificate of Deposits (CD	CP-1+(pe)	EQL 1 + pe	$_{PE}$1+

Ratings as of March 2018

Source: www.ratingspcr.com/ www. www.aai.com.pe/ www.equilibrium.com.pe/

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