

BANCO BBVA PERÚ AND SUBSIDIARIES

Consolidated Financial Statements

June 30, 2019 and December 31, 2018

(TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN SPANISH)

BANCO BBVA PERÚ AND SUBSIDIARIES

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BANCO BBVA PERÚ AND SUBSIDIARIES
Consolidated Statement of Financial Position
As of June 30, 2019 and December 31, 2018

<i>In thousands of soles</i>	<i>Note</i>	2019	2018
Assets			
Cash and due from banks	4	12,668,711	12,934,941
Interbank funds		40,009	-
Investments at fair value through profit or loss and available-for-sale	5	6,926,352	6,540,074
Loan portfolio, net	6	54,017,107	52,015,135
Trading derivatives	7	501,380	457,876
Hedging derivatives	7	3,086	1,439
Realizable assets and assets seized and recovered through legal actions		220,580	248,430
Investments in associates	8	16,858	13,758
Property, furniture and equipment, net	9	932,604	940,176
Deferred tax		396,384	365,444
Other assets, net	10	2,547,557	1,460,156
Goodwill		5,289	5,289
Total assets		78,275,917	74,982,718
Risks and contingent commitments	16	26,188,278	26,237,810

<i>In thousands of soles</i>	<i>Note</i>	2019	2018
Liabilities and equity			
Obligations to the public and deposits from financial system entities	11	52,935,310	51,007,523
Interbank funds		836,944	817,265
Borrowings and financial obligations	12	8,737,204	10,370,961
Trading derivatives	7	396,983	348,759
Hedging derivatives	7	31,712	197,492
Provisions and other liabilities	13	6,982,951	3,888,505
Total liabilities		69,921,104	66,630,505
Equity			
Capital Stock	14	5,885,209	5,368,602
Additional capital		1,669,648	1,522,035
Reserves		18,548	(7,996)
Adjustments to equity		781,408	1,469,572
Retained earnings			
Total equity		8,354,813	8,352,213
Total liabilities and equity		78,275,917	74,982,718
Contingent risks and commitments		26,188,278	26,237,810

The accompanying notes on pages 6 to 29 are part of these consolidated financial statements.

BANCO BBVA PERÚ AND SUBSIDIARIES
Consolidated Statement of Income
For the six-month period ended June 30, 2019 and 2018

<i>In thousands of soles</i>	<i>Note</i>	2019	2018
Interest income	15	2,376,685	2,178,170
Interest expenses	16	(683,525)	(664,234)
Gross financial income		1,693,160	1,513,936
Provisions for direct loans, net of recoveries		(378,698)	(358,859)
Net financial income		1,314,462	1,155,077
Income from finance services, net	17	391,945	398,657
Financial income net of revenue and expenses for financial services		1,706,407	1,553,734
Profit or loss from financial operations		340,655	285,306
Operating margin		2,047,062	1,839,040
Administrative expenses	18	(803,789)	(776,058)
Depreciation and amortization		(90,845)	(73,101)
Net operating margin		1,152,428	989,881
Valuation of assets and provisions		(44,005)	1,498
Operating profit		1,108,423	991,379
Other expenses, net		(2,227)	(3,416)
Profit before tax		1,106,196	987,963
Income tax		(318,338)	(287,660)
Net profit		787,858	700,303
Basic and diluted earnings per share in soles	19	0.134	0.119
Weighted average number of shares outstanding (in thousands of shares)	19	5,885,209	5,885,209

The accompanying notes on pages 6 to 29 are part of these consolidated financial statements.

BANCO BBVA PERÚ AND SUBSIDIARIES

Consolidated Statement of Income and Other Comprehensive Income
For the six-month period ended June 30, 2019 and 2018

<i>In thousands of soles</i>	2019	2018
Net profit	787,858	700,303
Other comprehensive income:		
Gain(Loss) on available-for-sale investments	22,466	(9,433)
Cash flow hedges	4,198	(376)
Other comprehensive income for investment in associates	(47)	10
Income tax related to the components of other comprehensive income	(73)	3,352
Other comprehensive income for the period, net of income tax	26,544	(6,447)
Total comprehensive income for the period	814,402	693,856

The accompanying notes on pages 6 to 29 are part of these consolidated financial statements.

BANCO BBVA PERÚ AND SUBSIDIARIES

Consolidated Statement of Changes in Shareholders' Equity

For the six-month period ended June 30, 2019 and 2018

In thousands of soles	Number of shares (note 14.B)	Stock capital (note 14.B)	Legal Reserve (note 14.C)	Adjustments to equity (note 14.D)	Retained earnings (note 14.E)	Total equity
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				(6,192)		(6,192)
Net unrealized loss on cash flow hedging derivatives				(265)		(265)
Other comprehensive income for investment in associates		-	-	10	-	10
Total comprehensive income for the period		-	-	(6,447)	700,303	693,856
Changes in equity (not included in comprehensive income):						
Dividends		-	-	-	(762,901)	(762,901)
Capitalization of retained earnings	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
Balance as of January 1, 2019	5,368,602	5,368,602	1,522,035	(7,996)	1,469,572	8,352,213
Net profit					787,858	787,858
Net unrealized gain on available-for-sale investments				23,631		23,631
Net unrealized gain on cash flow hedging derivatives				2,960		2,960
Other comprehensive income for investment in associates				(47)		(47)
Total comprehensive income for the period		-	-	26,544	787,858	814,402
Dividends					(811,812)	(811,812)
Capitalization of retained earnings	516,607	516,607			(516,608)	(1)
Transfers to reserves and other movements			147,613		(147,602)	11
Balance as of June 30, 2019	5,885,209	5,885,209	1,669,648	18,548	781,408	8,354,813

The accompanying notes on pages 6 to 29 are part of these consolidated financial statements.

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Notes to the Consolidated Financial Statements
June 30, 2019 and December 31, 2018

<i>In thousands of soles</i>	2019	2018
Reconciliation of net profit with cash and cash equivalent from operating activities:		
Net profit	787,858	700,303
Adjustments	2,220,037	704,990
Depreciation and amortization	90,845	73,101
Provisions	423,626	357,361
Other adjustments	1,705,566	274,528
Net changes in assets and liabilities:	(2,429,036)	(1,650,652)
Net decrease(Net increase) in assets	(5,138,957)	451,418
Loans	(2,721,433)	(1,245,061)
Available-for-sale investments	214,258	(160,729)
Other accounts receivable and others	(2,631,782)	1,857,208
Net increase (Net decrease) in liabilities	2,709,921	(2,102,070)
Non-subordinated financial liabilities	(179,062)	(1,785,352)
Accounts payable and others	2,888,983	(316,718)
Profit or loss for the period after net changes in assets, liabilities and adjustments	578,859	(245,359)
Paid current tax	(261,380)	7,360
Net cash flows from operating activities	317,479	(237,999)
Cash flows from investing activities:		
Outflows for purchases on investments	(40)	-
Outflows for purchases on intangible assets and property, furniture and equipment	(94,789)	(49,338)
Other inflows related to investing activities	56,243	8,506
Net cash flows used in investing activities	(38,586)	(40,832)
Cash flows from financing activities:		
Other inflows related to financing activities	-	201,860
Other outflows related to financing activities	(300,000)	(1,673,444)
Dividends paid	(811,465)	(762,232)
Net cash flows used in financing activities	(1,111,465)	(2,233,816)
Net decrease of cash and cash equivalent before the effect of exchange rate fluctuations	(832,572)	(2,512,647)
Effect of exchange rate fluctuations on cash and cash equivalents	(220,336)	138,350
Net decrease in cash and cash equivalents	(1,052,908)	(2,374,297)
Cash and cash equivalents at the beginning of the period	15,325,466	16,654,502
Cash and cash equivalents at the end of the period	14,272,558	14,280,205
Guarantee funds	2,623,497	2,294,428
Interbank funds	(40,009)	-
Investments with maturities or trading of less than 90 days	(4,187,335)	(4,389,174)
CASH AND DUE FROM BANKS AS PER THE STATEMENT OF CONSOLIDATED FINANCIAL POSITION	12,668,711	12,185,459

The accompanying notes on pages 6 to 29 are part of these consolidated financial statements.

1. Reporting Entity

A. Background

BANCO BBVA PERÚ S.A. (formerly known as BBVA Banco Continental S.A, hereinafter 'the Bank') is a subsidiary of BBVA Holding Perú S.A.C. (entity incorporated in Peru, formerly Newco Perú S.A.C), which holds 46.12% of its share capital as of June 30, 2019 and December 31, 2018. Banco Bilbao Vizcaya Argentaria S.A. holds 100% of the shares of BBVA Holding Perú S.A.C.

On March 27, 2019, the General Shareholders' Meeting approved the modification of the legal name of the Bank, by BANCO BBVA PERÚ.

B. Economic activity

The Bank is a public corporation established in 1951, and it was authorized to operate as a banking entity by 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 N° 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, 2019 and December 31, 2018, the Bank develops activities through a national network of 333 offices. As of June 30, 2019 and December 31, 2018, the total number of employees of the Bank is 6,071 and 6,130, respectively.

The Bank has shareholding with 100% voting rights over its following Subsidiaries: BBVA Bolsa Sociedad Agente de Bolsa S.A (formerly known as Continental Bolsa Sociedad Agente de Bolsa S.A.), BBVA Asset Management S.A. SAF (formerly known as BBVA Asset Management Continental S.A. Sociedad Administradora de Fondos), BBVA Sociedad Titulizadora S.A (formerly known as Continental Sociedad Titulizadora S.A.), Inmuebles y Recuperaciones Continental S.A., BBVA Consumer 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 'BBVA Perú Group').

It should be noted that, Inmuebles y Recuperaciones Continental S.A.. has changed its legal name to Inmuebles y Recuperaciones BBVA S.A. These change are pending registration in the Peruvian register of legal persons.

C. Approval of the consolidated financial statements

The Bank's management approved the consolidated financial statements as of June 30, 2019.

D. Reclassifications

Certain items in the consolidated financial statements as of December 31, 2018 and for the period ended June 30, 2018 have been reclassified to make them comparable with those of the current year. Management considers that the reclassifications do not imply changes in the decisions made based on them. The amounts reclassified and the affected accounts are summarized as follows:

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Consolidated Statement of Changes in Equity for the period ended June 30, 2018.

For comparative purposes, S/ 1.9 million loss has been reclassified from "Other comprehensive income for investment in associates" to "Net unrealizable results on available for sale investment".

Consolidated Statement of Cash Flows for the period ended June 30, 2018

<i>In thousands of soles</i>	Balances without reclassification	Reclassification	Reclassified balances
Net changes in assets and liabilities:			
Investments at fair value through profit or loss	468,812	(468,812)	-
Available-for-sale investments	216,281	(377,010)	(160,729)
Accounts receivable and others	1,664,586	192,622	1,857,208
Profit or loss for the period after net changes in assets, liabilities and adjustments	407,841	(653,200)	(245,359)
Net cash and cash equivalents from operating activities	415,201	(653,200)	(237,999)
Other inflows related to investing activities	13,794	(5,288)	8,506
Net cash flows from investing activities	(35,544)	(5,288)	(40,832)
Net decrease in cash and cash equivalents before the effect of exchange rate fluctuations	(1,854,159)	(658,488)	(2,512,647)
Net decrease in cash and cash equivalents	(1,715,809)	(658,488)	(2,374,297)
Cash and cash equivalents at the beginning of the period	13,779,136	2,875,366	16,654,502
Cash and cash equivalents at the end of the period	12,063,327	2,216,878	14,280,205
Guarantee funds	2,276,963	17,465	2,294,428
Investments with maturities or trading of less than 90 days	(2,154,831)	(2,234,343)	(4,389,174)

2. Basis of Preparation of the Consolidated Financial Statements

A. Statement of compliance

The significant accounting policies and practices as of June 30, 2019, remained unchanged with respect to those in the audit report issued on February 25, 2019 by Caipo y Asociados S. Civil de R.L.; member firm of the network of independent representatives of KPMG International Cooperative, for the years ended December 31, 2018 and 2017.

B. Basis of consolidation

The consolidated financial statements include the financial statements of companies, stated in note 1, that comprise BBVA Perú 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.

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The following are the main balances of BBVA Perú Group as of June 30, 2019 and as of December 31, 2018:

<i>In millions of soles</i>	Assets		Liabilities		Equity	
	2019	2018	2019	2018	2019	2018
Entity						
BANCO BBVA PERÚ	78,209	74,980	69,845	66,621	8,364	8,359
BBVA Bolsa Sociedad Agente de Bolsa S.A.	42	398	24	376	18	22
BBVA Asset Management S.A. SAF	34	65	3	6	31	59
BBVA Sociedad Titulizadora S.A.	5	4	1	-	4	4
Inmuebles y Recuperaciones Continental S.A.	162	159	4	3	158	156
Continental DPR Finance Company	170	202	170	202	-	-
BBVA Consumer Finance Edpyme	502	517	418	443	84	74
Forum Comercializadora del Perú S.A.	2	2	-	-	2	2
Forum Distribuidora del Perú S.A.	166	174	145	155	21	19

3. Accounting Principles and Practices

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

Fundamentals errors:

Fundamental errors in the preparation of the consolidated financial statements of previous years corrected in the current year are retrospectively recognized by restating the initial balances of the assets, liabilities, and equity accounts, as applicable. As of December 31, 2018 and 2017, no errors involving the re-expression of the consolidated financial statements have been reported.

The caption below comprises the errors of previous years corrected by the Subsidiaries in the year 2018 with affectation to accumulated results, which, in Management's opinion, are not material, both individually and as a whole, for the financial statements consolidated considered as a whole and therefore do not imply the re-expression of initial balances:

<i>In millions of soles</i>		
Subsidiary	Description	Adjustment in retained earnings
Inmuebles y Recuperaciones Continental S.A.	Reversal of provision for tax credit of sales tax (IGV) corresponding to previous years	2.07
	Difference of provision for impairment of available-for-sale properties	(1.41)
	Deferred income tax implications for the difference in the provision for impairment of available-for-sale properties	0.42
Forum Distribuidora del Perú S.A.	Return of unidentified deposits to accounts payable	(0.33)
BBVA Bolsa Sociedad Agente de Bolsa S.A.	Excess of provision for bonuses.	0.3
	Total	1.05

4. Cash and due from banks

As of June 30, 2019 and December 31, 2018 cash and due from banks include approximately US\$ 1,947 and S/ 1,942 million (US\$ 1,904 and S/ 1,649 million as of December 31, 2018), which correspond to the required reserve that Peruvian entities must maintain for deposits and obligations to the public. These funds are deposited in the entities vaults or in Banco Central de Reserva del Perú (hereinafter 'BCRP').

As of June 30, 2019 and December 31, 2018, the funds required for the reserve in local and foreign currency are affected by an implicit rate of 5% and 35%, respectively over total obligations subject to required reserve (TOSE) as required by BCRP.

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, 2019 and December 31, 2018 cash and due from banks includes guarantee funds supports foreign currency repurchase agreements with the BCRP for US\$ 779 million (US\$ 255 million as of December 31, 2018).

As of June 30, 2019 and December 31, 2018 cash and due from banks includes guarantee funds for operations with derivative financial instruments for S/ 54 million and S/ 342 million, respectively.

5. Investments at Fair Value through Profit or Loss and Available-for-Sale

As of June 30, 2019 and December 31, 2018, this caption comprises the following:

<i>In thousands of soles</i>	2019	2018
Investments at fair value through profit or loss:		
BCRP certificates of deposit (a)	3,578,807	2,643,161
Sovereign Bonds of the Republic of Peru (b)	535,836	319,160
Bonds of the US Treasury	39,784	-
Mutual funds (d)	32,908	39,007
	4,187,335	3,001,328
Available-for-sale investments:		
Sovereign Bonds of the Republic of Peru (b)	1,437,310	1,148,839
Bills of exchange of the US Treasury (c)	655,254	167,868
BCRP certificates of deposit (a)	464,283	2,009,549
Corporate bonds (c)	149,060	174,447
Shares in local companies (e)	32,100	37,033
Shares in foreign companies	1,010	1,010
	2,739,017	3,538,746
	6,926,352	6,540,074

- (a) BCRP certificates of deposit are securities freely negotiable with a maturity until June 2020 (August 2019, as of December 31, 2018); they are acquired through BCRP public bids and traded in the Peruvian secondary market, as of June 30, 2019, S/ 556 million are compromised in repurchase agreements.

As of June 30 2019, the annual interest in local currency generated by these certificates fluctuates between 2.55% and 2.71% (between 2.52% and 2.78% as of December 31, 2018).

- (b) Peruvian Public Treasury Bonds include sovereign bonds of the Republic of Peru in local

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currency and global bonds in foreign currency, both issued by the Ministry of Economy and Finance of Peru (MEF), which represent internal public debt instruments of the Republic of Peru. Of the balance of these instruments as of June 30, 2019, S/ 531 million are committed to repurchase agreement transactions (S/ 526 million as of December 31, 2018).

As of June 30, 2019, these bonds accrue interest at annual rates ranging from 1.50% to 5.47% (between 1.50% and 6.50% as of December 31, 2018) in local currency with maturities until February 2055 (February 2055, as of December 31, 2018). The rate in foreign currency is 3.21% with a maturity until July 2025.

- (c) As of June 30, 2019, part of corporate bonds and Bills of exchange of the US Treasury, in foreign currency has a cash flow hedge (note 7(ii)).
- (d) As of June 30, 2019 and December 31, 2018, the investment in mutual funds corresponds to the participation quotes held by BBVA Asset Management S.A. SAF and Inmuebles y Recuperaciones Continental S.A.; in different mutual funds, BBVA Asset Management manages.
- (e) As of June 30, 2019 and December 31, 2018, it mainly includes shares of Bolsa de Valores de Lima (BVL) for S/ 31 million for both periods.

6. Loan Portfolio, Net

As of June 30, 2019 and December 31, 2018, this caption comprises the following:

<i>In thousands of soles</i>	2019		2018	
Direct loans:				
Loans	19,109,270	36%	18,785,579	37%
Mortgage loans	12,513,366	23%	12,301,459	24%
Consumer loans	6,171,572	12%	5,985,749	12%
Foreign trade	5,627,783	10%	5,420,179	10%
Finance lease	4,028,734	8%	4,240,729	8%
Discounts	1,088,501	2%	1,230,118	2%
Others	5,066,563	9%	3,721,252	7%
	53,605,789	100%	51,685,065	100%
Past due and under legal collection loans	1,777,754	2%	1,607,406	2%
Refinanced loans	1,132,455	2%	1,087,051	2%
	56,515,998	104%	54,379,522	104%
Plus (less):				
Accrued interest	362,042	1%	321,095	1%
Non-accrued interest	(59,540)	-	(55,288)	-
Allowance for loan losses	(2,801,393)	(5%)	(2,630,194)	(5%)
	54,017,107	100%	52,015,135	100%
Contingent loans	15,363,204		15,477,765	

Loans secured by guarantees received from customers, mainly composed by mortgages, deposits, letters of guarantee, guarantees, warrants and financial lease operations, amount to S/ 39,325 million as of June 30, 2019 (S/ 37,184 million as of December 31, 2018).

As of June 30, 2019, part of the mortgage loan portfolio guarantees a debt with Fondo MIVIVIENDA – Programa MIHOGAR for up to S/ 452 million (S/ 460 million as of December 31, 2018).

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As of June 30, 2019 and December 31, 2018 the annual average effective interest rate of the main products was as follows:

	2019		2018	
	Local currency	Foreign currency	Local currency	Foreign currency
<i>Active operations</i>				
Loans and discounts	7.89	5.56	7.70	5.69
Mortgage loans	7.72	6.71	7.78	6.84
Consumer loans	25.09	29.58	25.50	29.45

As of June 30, 2019 and December 31, 2018 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>	2019		2018	
Mortgage loans	12,994,149	23%	12,765,478	24%
Corporate	12,278,695	22%	10,177,388	19%
Medium business loans	11,598,453	21%	12,046,296	22%
Large business loans	9,665,754	17%	9,987,938	18%
Consumer loans	6,426,277	11%	6,183,591	11%
Small business loans	1,543,653	3%	1,411,110	3%
Public Sector Entities	944,187	2%	918,006	2%
Financial System Entities	668,946	1%	536,245	1%
Stock brokers	274,086	-	183,874	-
Micro-business loans banks	89,798	-	92,595	-
Multilateral development	32,000	-	77,001	-
	56,515,998	100%	54,379,522	100%

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As of June 30, 2019 and December 31, 2018, the balances of the loan portfolio are distributed in economic sectors as follows:

<i>In thousands of soles</i>	2019		2018	
Mortgage and consumer loans	19,420,427	34%	18,949,069	35%
Commerce	9,444,990	17%	9,305,933	17%
Manufacture	8,383,220	15%	8,646,783	16%
Real estate, business and rental	4,434,346	8%	3,344,181	6%
Transportation, storage and communications	3,029,693	4%	3,202,268	6%
Mining	1,959,619	3%	1,492,798	3%
Agriculture and Livestock	1,604,782	3%	1,561,275	3%
Financial intermediation	1,540,952	3%	1,312,247	2%
Electricity, Gas and Water	1,521,388	3%	1,157,200	2%
Building	951,667	2%	952,964	2%
Others	4,224,915	8%	4,454,804	8%
	56,515,998	100%	54,379,522	100%

As of June 30, 2019 and 2018, 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>	2019	2018
Provisions	1,040,581	1,013,747
Recovery of provisions	(660,730)	(654,833)
Income from portfolio recovery	(1,153)	(55)
Provisions for direct loans, net of recoveries	378,698	358,859

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, 2019, the general provision for doubtful loans includes general voluntary and procyclical provisions of S/ 560 million (S/ 565 million as of December 31, 2018).

BBVA Perú 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 2019, the Bank sold a portfolio of S/ 101 million (S/ 242 million during 2018). The selling value amounted to S/ 8 million (S/ 25 million during 2018) 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, 2019 and December 31, 2018, BBVA Perú 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
2019				
Trading derivatives				
Currency forwards		16,982,367	112,332	88,795
Share, currency and other options		1,439,470	12,916	12,916
Cross-currency swaps		4,583,466	295,984	192,397
Interest rate swaps		5,674,645	86,648	102,875
Provision for country risk		-	(6,500)	-
		28,679,948	501,380	396,983
Hedging derivatives				
At fair value (i)				
Interest rate swaps	Bond Issuance	2,629,600	-	13,068
Interest rate swaps	Borrowings	1,249,060	-	13,786
Cash flows (ii)				
Interest rate swaps	Borrowings	56,349	350	-
Currency swaps	Borrowings	328,700	-	3,657
Currency swaps	Corporate Bond	131,480	640	1,201
Currency forwards	US Treasury bill of exchange	659,400	2,096	-
		5,054,589	3,086	31,712
		33,734,537	504,466	428,695

<i>In thousands of soles</i>	Underlying	Face	Assets	Liabilities
2018				
Trading derivatives				
Currency forwards		12,667,235	53,911	49,556
Share, currency and other options		1,700,511	6,744	6,744
Currency swaps		4,908,918	335,101	251,091
Interest rate swaps		5,567,032	66,980	41,368
Provision for country risk		-	(4,860)	-
		24,843,696	457,876	348,759
Hedging derivatives				
At fair value (i)				
Currency swaps	Bond issuance	254,469	-	55,159
Interest rate swaps	Borrowings	1,298,605	-	33,000
Interest rate swaps	Bond issuance	2,698,400	-	102,039
Cash flows (ii)				
Interest rate swaps	Borrowings	67,460	1,439	-
Currency swaps	Sovereign Bonds of the Republic of Peru	118,055	-	3,767
Currency swaps	Corporate Bond	33,730	-	1,075
Currency forwards	Corporate Bond	15,114	-	278
Currency forwards	US Treasury bill of exchange	170,560	-	2,174
		4,656,393	1,439	197,492
		29,500,089	459,315	546,251

Hedging derivatives at fair value

- (i) As of June 30, 2019, the Bank has contracted interest rate swaps (IRS) for a face value equivalent to S/ 3,879 million in order to hedge debts and issuance (S/ 3,997 million as of December, 31, 2018). Through the IRS, the Bank receives a fixed rate in U.S. dollars and pays a floating rate in the same currency. In 2019, the total variability in the fair value of IRS resulted in a profit of S/ 107 million, included in 'Profit or loss from financial operations' of the consolidated statement of income (loss of S/ 21 million in 2018).

As of June 30, 2019, the Bank has contracted a currency swap (CSS) for the fair value hedging of bonds issued for a face value equivalent to S/ 250 million (S/ 254 million as of December 31, 2018) which matured in April 2019. Through a cross currency swap, the Bank converts its issuance in fixed-rate local currency into floating-rate U.S. dollars. In 2019, the variability in the fair value of the CCS amounts to S/ 0.1 million (profit), which is included in 'Profit or loss from financial operations' of the consolidated statement of income (S/ 1 million profit as of December 31, 2018).

Cash flow hedging derivatives

- (ii) As of June 30, 2019, the Bank has contracted "interest rate swaps - IRS" for a nominal value equivalent to S/ 56 million for the hedging borrowings (S/ 67 million as of December 31, 2018). The Bank receives a variable interest in US dollars and pays a fixed interest in the same currency. As of A June 30, 2019, the change in the fair value of the IRS amounts to S/ 0.2 million gain, which is recorded in equity accounts (gain of S/ 1 million as of December 31, 2018).

As of June 30 2019, the Bank has contracted a "currency swap - CSS" for a nominal value of S/ 460 million for the hedging of bonds recorded as available for sale investment and borrowings (US\$ 40 million of a corporate bond and US\$ 100 million of borrowings). For the corporate bond, through a "currency swap" the Bank receives a fixed interest in soles and pays a fixed interest in US dollars and for the borrowings the Bank receives a fixed interest in US dollars and pays a fixed interest in soles. As of June 30, 2019, the variation in the fair value of the CCS amounts to S/ 2.3 million loss, which is recorded in equity accounts (loss of S/ 3.7 million as of December 31, 2018).

As of June 30, 2019, the Bank has contracted a "currency forwards" for a nominal value of S/ 659 million for the hedging of bonds recorded as available for sale investment (US\$ 200 million of Bonds of the U.S. Treasury). Through a "currency forward" the Bank receives a fixed interest in soles and pays a fixed interest in US dollars. As of June 30, 2019, the variation in the fair value of the currency forward amounts to S/ 0.1 million loss, which is recorded in equity accounts (loss of S/ 2.3 million as of December 31, 2018).

8. Investments in Associates

As of June 30, 2019 and December 31, 2018, this caption comprises the following:

<i>In thousands of soles</i>	2019	2018
Compañía Peruana de Medios de Pago S.A.C. (a)	13,345	9,487
TFP S.A.C. (b)	3,513	4,271
	16,858	13,758

- (a) As of June 30, 2019 and December 31, 2018, BBVA Perú Group, through the Bank, holds a 21.03% stake in the share capital of Compañía Peruana de Medios de Pago S.A.C. (Visanet Perú).
- (b) As of June 30, 2019 and December 31, 2018, BBVA Perú Group, through the Bank, holds a 24.30% stake in the share capital of TFP S.A.C.

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, 2018	120,485	841,926	624,729	8,581	252,291	68,486	255	1,916,753
Additions	-	10,373	64,775	663	3,942	72,076	37	151,866
Adjustments and other	(2,261)	641	(18,445)	(680)	7,675	(22,405)	-	(35,475)
As of December 31, 2018	118,224	852,940	671,059	8,564	263,908	118,157	292	2,033,144
Additions	-	1,954	26,642	-	1	26,311	(36)	54,872
Adjustments and other	-	248,113	(1,486)	(477)	(226,380)	(26,431)	-	(6,661)
As of June 30, 2019	118,224	1,103,007	696,215	8,087	37,529	118,037	256	2,081,355
Depreciation								
Balance as of January 1, 2018	-	494,949	360,405	6,255	131,820	-	-	993,429
Additions	-	36,117	62,486	781	23,552	-	-	122,936
Impairment	-	-	-	-	5,220	-	-	5,220
Adjustments and other	-	(3,593)	(24,325)	(680)	(19)	-	-	(28,617)
As of December 31, 2018	-	527,473	398,566	6,356	160,573	-	-	1,092,968
Additions	-	23,164	33,179	391	5,696	-	-	62,430
Impairment	-	-	-	-	-	-	-	-
Adjustments and other	-	123,520	(6,168)	(477)	(123,522)	-	-	(6,647)
As of June 30, 2019	-	674,157	425,577	6,270	42,747	-	-	1,148,751
Net cost								
Balance as of June 30, 2019	118,224	428,850	270,638	1,817	(5,218)	118,037	256	932,604
Balance as of December 31, 2018	118,224	325,467	272,493	2,208	103,335	118,157	292	940,176

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.

10. Other Assets, Net

As of June 30, 2019 and December 31, 2018, this caption comprises the following:

<i>In thousands of soles</i>	2019	2018
Transactions in progress (a)	2,013,850	944,090
Intangible assets, net of amortizations for S/ 85 million (S/ 58 million as of December 31, 2018)	303,303	290,665
Deferred charges	170,174	121,792
Other accounts receivable	50,759	34,879
Accounts receivable from the sale of goods, services and trust	5,108	4,927
Tax credit, net of income tax (b)	2,008	42,240
Other	2,355	21,563
	2,547,557	1,460,156

- (a) Transactions in progress are operations 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 BBVA Perú Group. As of June 30, 2019 and December 31, 2018, they include S/ 1,956 million and S/ 905 million related to Treasury transactions, respectively.
- (b) As of June 30, 2019 and December 31, 2018, 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 from Financial System Entities

As of June 30, 2019 and December 31, 2018, this caption comprises the following:

<i>In thousands of soles</i>	2019	2018
Obligations to the public:		
Time deposits	18,015,820	14,548,264
Demand liabilities	17,306,151	18,134,256
Savings deposits	15,967,085	16,189,450
Other obligations	65,711	74,510
	51,354,767	48,946,480
Deposits from financial system entities:		
Time deposits	782,159	945,737
Demand liabilities	747,393	875,277
Savings deposits	50,991	240,029
	1,580,543	2,061,043
	52,935,310	51,007,523

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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, 2019 and December 31, 2018 fluctuated as follows:

	2019		2018	
	Local currency	Foreign currency	Local currency	Foreign currency
Checking accounts	0.00 – 0.25	0.00 – 0.13	0.00 – 0.25	0.00 – 0.13
Savings deposits	0.00 – 0.50	0.00 – 0.25	0.00 – 0.50	0.10 – 0.25
Time deposits and bank certificates	0.80 – 1.35	0.10 – 0.35	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, 2019 and December 31, 2018, this caption comprises the following:

<i>In thousands of soles</i>	2019	2018
Borrowings and financial obligations:		
Foreign financial entities (a)	2,833,050	3,702,640
MIVIVIENDA – MIHOGAR Program – Borrowings to local financial system entities (b)	534,996	517,577
Corporación Financiera de Desarrollo – COFIDE	9,094	9,689
International financial institutions	-	337,300
Accrued interest payable	29,350	25,353
	3,404,562	4,592,559
Securities and bonds: (c)		
Corporate bonds	2,859,242	3,303,926
Subordinated bonds	1,575,124	1,561,330
Finance lease bonds	563,100	563,100
Notes (debt instruments)	153,995	182,497
Negotiable certificates of deposits	105,444	92,923
Accrued interest payable	73,809	74,626
	5,330,714	5,778,402
	8,737,204	10,370,961

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, 2019 and December 31, 2018, these clauses are being adequately complied with and do not represent any restriction on the BBVA Perú Group's operations.

- (a) As of June 30, 2019 and December 31, 2018 the BBVA Perú Group's borrowings with foreign financial entities accrued interest at an annual average rate ranging from Libor +0.35% to 7.4%. (between Libor +0.4% to 7.4% as of December 31, 2018)

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<i>In thousands</i>	2019		2018		Maturity
	US\$	S/	US\$	S/	
Deutsche Bank (i)	346,027	1,137,390	341,043	1,150,338	November 2020
Credit Suisse (ii)	200,000	657,400	200,000	674,600	October 2040
Citibank NY	150,000	493,050	50,000	168,650	February 2020 and November 2021
Wells Fargo Bank	100,000	328,700	100,000	337,300	May 2022
ICO - Instituto de crédito	65,869	216,510	63,000	212,499	December 2021 and April 2022
Standard Chartered	-	-	200,000	674,600	
Sumitomo Bank, NY	-	-	100,000	337,300	
Other	-	-	43,686	147,353	
	861,896	2,833,050	1,097,729	3,702,640	
Accrued interest	8,356	27,465	6,886	23,225	
	870,252	2,860,515	1,104,615	3,725,865	

- (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, 2019 and December 31, 2018, have resulted in accumulated gains of S/ 11 million and S/ 28 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 has been fully complied with.

As of June 30, 2019 and December 31, 2018, the BBVA Perú Group holds in accounts payable a balance of S/ 10 million, and S/ 8 million, corresponding to deferred issuance expenses, respectively.

- (b) As of June 30, 2019, these debts mainly include resources obtained for the social housing program MI VIVIENDA (MI HOGAR credit) for S/ 447 million in local currency and US\$ 2 million in foreign currency (S/ 454 million in local currency and US\$ 2 million in foreign currency as of December 31, 2018). This loan has different maturities until June 2039 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, 2019 and December 31, 2018, borrowings with Fondo MIVIVIENDA are secured with mortgage loan portfolio up to S/ 452 million and S/ 460 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) As of June 30, 2019 and December 31, 2018 the detail of securities and bonds is as follows:

<i>In thousands of soles</i>	Authorized amount	Origin currency	Original placed amount	2019	2018	Maturity
Corporate bonds:						
1st issuance, single series - Fourth program	USD 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
2nd issuance, series A - Fifth program	USD 250 million	PEN	150,000	150,000	150,000	December 2026
5th issuance, single series - Fifth program		PEN	200,000	-	199,527	April 2019
1st issuance, series A - Sixth program	USD 250 million	PEN	150,000	-	150,000	April 2019
1st issuance, series B - Sixth program		PEN	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	USD 1,000 million	PEN	132,425	132,425	132,425	June 2021
1st issuance, series B - seventh program		PEN	69,435	69,435	69,435	June 2021
2nd issuance, series A - seventh program		PEN	100,000	100,000	100,000	July 2023
2nd issuance, series B - seventh program		PEN	73,465	74,854	74,854	August 2023
1st issuance, series C - seventh program		PEN	70,000	70,000	70,000	September 2021
1st program, international issuance (i)	USD 500 million	USD	500,000	1,642,528	1,637,685	August 2022
				2,859,242	3,303,926	
Subordinated bonds:						
2nd issuance, series A - First program	US\$ 50 million or S/ 158.30 million	USD	20,000	65,479	67,180	May 2027
3rd issuance, series A - First program		PEN	55,000	79,637	78,478	June 2032
2nd issuance, series A - Second program	US\$ 100 million	PEN	50,000	70,904	69,872	November 2032
3rd issuance, series A - Second program		USD	20,000	65,740	67,460	February 2028
4th issuance, single series - second program		PEN	45,000	61,581	60,685	July 2023
5th issuance, single series - second program		PEN	50,000	67,541	66,558	September 2023
6th issuance, single series - second program		PEN	30,000	39,826	39,247	December 2033
1st issuance, single series - third program	US\$ 55 million	USD	45,000	147,915	151,785	October 2028
First program, international issuance – single series (ii)	US\$ 300 million	USD	300,000	976,501	960,065	September 2029
				1,575,124	1,561,330	
Notes (iii)						
2nd. issuance, notes 2012-C y 2012-D	US\$ 235 million	USD	235,000	153,995	182,497	June 2022
				153,995	182,497	
Finance lease bonds:						
1st issuance, series A - Second program	US\$ 250 million	PEN	158,000	158,000	158,000	December 2020
1st issuance, series B - Second program		PEN	205,100	205,100	205,100	October 2019
1st issuance, series C - Second program		PEN	200,000	200,000	200,000	January 2020
				563,100	563,100	
Negotiable certificates of deposits						
				105,444	92,923	
Interest payable on securities, bonds, and obligations outstanding						
				73,809	74,626	
				5,330,714	5,778,402	

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As of June 30, 2019 and December 31, 2018, 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) 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/ 1 million as of June 30, 2019 (S/ 49 million as of December 31, 2018 accumulated earnings).
- (ii) 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/ 4 million as of June 30, 2019 (S/ 46 million as of December 31, 2018 of accumulated earnings).
- (iii) The notes issued in June 2012, which amounts to US\$ 47 million as of June 30, 2019 (US\$ 55 million as of December 31, 2018), includes financing for US \$ 17 million, maturing in June 2022, which has a hedge of cash flow through a "interest rate swap - IRS ". Likewise, it includes financing for US \$ 30 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, 2019 and December 31, 2018, it has generated accumulated earnings of S / 1 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, 2019 and December 31, 2018.

As of June 30, 2019 and December 31, 2018, subordinated bonds were issued according to the conditions set forth in the Banking Law, and accrue interest at annual rates that fluctuate between the VAC plus a "spread" and 5.5% 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% in local currency, as of June 30, 2019 and December 31, 2018, are backed by credit operations in the form of financial leasing that have been financed with such bonds.

As of June 30, 2019 and December 31, 2018, the Bank maintains accounts payable balance of S/ 6 million and S/ 8 million, respectively, corresponding to deferred issuance expenses.

13. Provisions and Other Liabilities

As of June 30, 2019 and December 31, 2018, this caption comprises the following:

<i>In thousands of soles</i>	2019	2018
Accounts payable		
Repurchase agreements with BCRP (a)	3,545,885	1,245,865
Accounts payable to suppliers	301,388	313,149
Premiums to deposit insurance fund, contributions and obligations with tax collection entities	140,798	121,976
Dividends, profit sharing and remunerations payable	61,892	112,811
Other accounts payable and tax payable	61,500	402,540
Interest payable	47,286	28,377
	4,158,749	2,224,718
Other liabilities		
Transactions in progress (b)	2,099,854	931,609
Deferred income and other	24,232	31,193
	2,124,086	962,802
Provisions		
Provision for contingent loans (c)	229,352	214,604
Provision for lawsuits, litigations and other contingencies (d)	216,844	219,646
Other provisions	253,919	266,735
	700,115	700,985
	6,982,950	3,888,505

- (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.
- (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 statement of income of the Bank. As of June 30, 2019, liability transactions in progress mainly include S/ 1,926 million related to Treasury operations (S/ 845 million as of December 31, 2018).
- (c) The bank has pending several lawsuits, litigation and other proceedings related to the activities it develops, which in the Management's opinion and its legal advisors will not result in additional liabilities. Therefore, as of June 30, 2019 and December 31, 2018, Management has not considered necessary a higher provision than that recorded for these contingencies and processes.

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, 2019 and December 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 June 30, 2019, on an individual basis, the regulatory capital of the Bank and the EDPYME, calculated according to current regulatory requirements are S/ 10,266 million and S/ 80 million, respectively (as of December 31, 2018 S/ 9,989 million and S/ 79 million, respectively). The regulatory

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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 June 30, 2019, 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/ 70,500 million and S/ 561 million, respectively (as of December 31, 2018 S/ 66,830 million y S/ 573 million, respectively).

As of June 30, 2019, the capital adequacy ratio by credit, market and operational risk of the Bank and EDPYME are 14.56% and 14.27%, respectively (14.95% and 13.76%, as of December 31, 2018, respectively).

B. Share Capital

As of June 30, 2019, the Bank's authorized, issued and fully paid-in capital in accordance with its by-laws is represented by 5,885,209 thousand of outstanding ordinary shares with a par value of one Sol (S/ 1) each (5,368,602 thousand of ordinary shares as of December 31, 2018).

At Obligatory General Shareholders' Meeting, held on March 27, 2019 and March 28, 2018, an agreement was reached to increase the share capital by S/ 517 million and S/ 485 million, respectively, through the capitalization of retained earnings.

Shareholding structure of the Bank's share capital as of June 30, 2019 and December 31, 2018 is as follows:

Interest	2019		2018	
	Number of shareholders	Interest %	Number of shareholders	Interest %
Up to 1	7,733	3.16	7,676	3.37
From 1.01 to 5	3	4.60	3	4.39
From 45.01 to 100	2	92.24	2	92.24
	7,738	100.00	7,681	100.00

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 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 27, 2019 and March 28, 2018, an agreement was reached to make a legal reserve in an amount equivalent to 10% of profits of year 2018 (S/ 148 million) and 2017 (S/ 139 million), respectively.

D. Adjustments to equity

As of June 30, 2019, adjustments to equity include S/ 23.5 million for unrealized gains on available-for-sale investment (S/ 0.1 million of unrealized gain as of December 31, 2018), S/ 2.1 million unrealized loss from the valuation of the cash flow hedge derivative (S/ 5.1 million unrealized gains as of December 31, 2018), and S/ 2.8 million for unrealized losses on the actuarial reserve calculation for long-term employees benefits in both periods.

E. Retained earnings

At Obligatory General Shareholders' Meeting, held on March 27, 2019 and March 28, 2018, an agreement was reached to approve the capitalization of retained earnings in an amount of

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S/ 517 million and S/485 million, respectively. Also, both shareholders' meetings approved dividends distribution amounting to S/ 812 million and S/ 763 million, respectively.

15. Interest Income

As of the second quarter of 2019 in relation to 2018 interest income increased by 9%, basically due to the increase in interest on the loan portfolio and interest from cash and due, and the decrease in interest on investments at fair value with changes in results.

As of June 30, 2019 and 2018, this caption comprises the following:

<i>In thousands of soles</i>	2019	2018
Direct loans (note 6)	2,179,038	2,035,121
Cash and due from banks (note 4)	84,231	23,408
Investments available for sale (note 5)	56,715	50,085
Investments at fair value through profit or loss (note 5)	53,969	65,351
Other financial income	2,109	1,731
Interbank funds	623	2,474
	2,376,685	2,178,170

16. Interest Expenses

Accumulated interest expenses as of the second quarter of 2019 in relation to 2018 increased by 3%, mainly due to the net effect of the increase in interest on obligations with the public and results from hedging operations and the decrease in interest on securities, bonds and financial obligations and accounts payable related to repurchase agreements (currency, certificate of deposits and sovereign bonds) with BCRP.

As of June 30, 2019 and 2018, this caption comprises the following:

<i>In thousands of soles</i>	2019	2018
Obligations to the public	337,113	268,926
Borrowings and financial obligations (note12)	250,289	262,985
Deposits from financial system entities	34,058	32,182
Accounts payable	29,598	88,552
Hedging operations	19,188	4,328
Interbank funds	5,573	4,759
Other financial expenses	7,706	2,502
	683,525	664,234

17. Income from Finance Services, Net

Accumulated income and expenses for various financial services as of the second quarter of 2019 in relation to 2018 had no significant variations.

As of June 30, 2019 and 2018, this caption comprises the following:

<i>In thousand of soles</i>	2019	2018
Income		
Income from credit card fees	131,153	121,591
Income from indirect loans	102,047	99,840
Commissions from transfers	80,473	73,974
Income from commissions on collection services	64,748	64,739
Income from services and maintenance of checking accounts	24,497	23,709
Income from online banking services	21,666	21,490
Income from advisory services	10,402	7,536
Income from cash services	7,851	8,086
Income from technical and legal studies	5,664	5,506
Income from trust and commission of trustee	623	550
Other income from services	146,709	144,253
	595,835	571,273
Expenses		
Premiums to the Deposit Insurance Fund	(36,373)	(33,185)
Transfers	(5,086)	(4,196)
Purchase of foreign currency spot operation	(3,821)	(3,987)
Current account maintenance expenses	(2,146)	(2,212)
Other expenses for services	(156,464)	(129,036)
	(203,890)	(172,616)
	391,945	398,657

18. Administrative Expenses

Accumulated administrative expenses as of the second quarter of 2019 in relation to 2018 increased by 4%. This item includes personnel expenses, expenses for services received from third parties and taxes and contributions.

As of June 30, 2019 and 2018, this caption comprises the following:

<i>In thousands of soles</i>	2019	2018
Personnel expenses and Directory	406,591	379,600
Expenses for services received from third parties	372,899	373,414
Taxes and contributions	24,299	23,044
	803,789	776,058

19. Earnings per Share

The table below shows the computation of the weighted average of shares and earnings per shares as of June 30, 2019 and 2018:

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<i>In thousands of soles</i>	Shares outstanding(*)	Weighted average number of basic shares	Effective days to year-end	Weighted average number of common shares
2019				
Balance as of January 1, 2019	5,368,602	5,368,602	180	5,368,602
Capitalization of year 2018 profit or loss	516,607	516,607	180	516,607
Balance as of June 30, 2019	5,885,209	5,885,209		5,885,209
2018				
Balance as of January 1, 2018	4,883,119	4,883,119	180	4,883,119
Capitalization of year 2017 profit or loss	485,483	485,483	180	485,483
Capitalization of year 2018 profit or loss		516,607	180	516,607
Balance as of June 30, 2018	5,368,602	5,885,209		5,885,209

(*) As of June 30, 2019, 516,607 thousand shares are registered in Peruvian register of legal persons but not delivered.

As of June 30, 2019 and 2018, earnings per share calculated based on the average number of shares amounted to S/ 0.1339 and S/ 0.1190, respectively.

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20. Related Party Transactions

As of June 30, 2019 and December 31, 2018, the consolidated financial statements include transactions with the related party, which, as established by IAS 24 and SBS normative, comprise the parent company, related parties, associates, other related parties, and BBVA Perú group'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, 2019 and December 31, 2018 are as follows:

<i>In thousands of soles</i>	2019					2018				
	Controlling party	Related parties (*)	Associates	Key staff and directors	Total	Controlling party	Related parties (*)	Associates	Key staff and directors	Total
Assets:										
Cash and due from banks	16,010	44	-	-	16,054	500,355	287	-	-	500,642
Loan portfolio, net	-	345,538	18	42,396	387,952	-	300,277	49	37,627	337,953
Trading derivatives	241,703	113	-	-	241,816	135,977	69,105	-	-	205,082
Other assets, net	183,416	125,961	-	-	309,377	144,865	125,735	-	-	270,600
Total assets	441,129	471,656	18	42,396	955,199	781,197	495,404	49	37,627	1,314,277
Liabilities:										
Obligations to the public and deposits from financial system entities	108,347	745,200	1,582	235,056	1,090,185	212,881	357,950	953	147,141	718,925
Borrowings and financial obligations	-	6,000	-	-	6,000	-	6,018	-	-	6,018
Trading derivatives	249,115	1,281	-	-	250,396	250,641	1,462	-	-	252,103
Provisions and other liabilities	311,904	31,578	-	141	343,623	11,839	39,088	-	29	50,956
Total liabilities	669,366	784,059	1,582	235,197	1,690,204	475,361	404,518	953	147,170	1,028,002
Contingent and memorandum accounts:										
Indirect loans	-	254,285	189	1,420	255,894	-	298,291	200	1,457	299,948
Derivative financial instruments	14,058,953	447,923	-	-	14,506,876	11,071,499	701,705	-	-	11,773,204

(*) Related party include the balances and transaction with other related parties as contained in IAS 24.

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- (b) The effects of transactions with related parties in the consolidated income statement of BBVA Perú Group for the period ended June 30, 2019 and 2018 is as follows:

<i>In thousands of soles</i>	2019					2018				
	Controlling party	Related parties (*)	Associates	Key staff and directors	Total	Controlling party	Related parties (*)	Associates	Key staff and directors	Total
Interest income	-	1,210	-	226	1,436	-	1,933	-	79	2,012
Interest expenses	-	(5,057)	-	(386)	(5,443)	-	(4,827)	-	(113)	(4,940)
	-	(3,847)	-	(160)	(4,007)	-	(2,894)	-	(34)	(2,928)
Income from financial services	-	229	-	17	246	-	4	-	-	4
Expenses in financial services	-	(4)	-	-	(4)	-	(53)	-	(8)	(61)
	-	225	-	17	242	-	(49)	-	(8)	(57)
Net profit or loss from financial operations	-	-	-	-	-	-	-	-	-	-
Administrative expenses	(8,770)	(41,203)	-	-	(49,973)	(7,248)	(33,965)	-	-	(41,213)
Other income, net	-	102	-	2	104	-	326	-	1	327
	(8,770)	(41,101)	-	2	(49,869)	(7,248)	(33,639)	-	1	(40,886)

(*) Related party include the balances and transaction with other related parties as contained in IAS 24.

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

As of June 30, 2019 and December 31, 2018, 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, 2019 and December 31, 2018, direct loans to employees, directors, officers and key personnel amounted to S/ 460 million and S/ 438 million, respectively.

Likewise, as of June 30, 2019 and 2018, key management personnel and board of directors' compensation amounted to S/ 6 million, for 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 with the exception of the following:

In July 2019 the following issue was made, whose principal will be fully amortized at maturity:

<i>In thousand of soles</i>	Currency	Amount	Term / maturity	Annual Interest Rate
Corporate bonds	S/	120,000	3 years	4.31%