

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

Consolidated Financial Statements

As of June 30, 2017 and as of December 31, 2016 and for the six months period ended June 30, 2017 and 2016

(Translation of a report originally issued in Spanish)

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

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As of June 30, 2017, and as of December 31, 2016 and for the six months period ended June 30, 2017 and 2016

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BBVA BANCO CONTINENTAL AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

As of June 30, 2017 and December 31, 2016

In thousands of S/

ASSETS	Notes	2017	2016	LIABILITIES AND EQUITY	Notes	2017	2016
Cash and due from banks	3	16,884,791	20,888,598	Obligations to the public	8	45,409,486	47,946,804
Interbank funds	9	224,648	728,080	Interbank funds	9	202,466	-
Investments at fair value through profit or loss	4	1,269,528	233,153	Deposits of financial entities and international financial organizations		1,810,641	1,407,661
Available-for-sale investments	4	3,919,674	2,882,747	Due to banks and financial obligations	10	9,108,705	12,023,795
Held-to-maturity investments	4	473,854	470,686	Trading derivatives	15	505,255	710,588
Loan portfolio, net	5	46,911,613	49,955,024	Hedging derivatives	15	125,105	161,691
Trading derivatives	15	603,882	838,715	Payable	7	7,798,885	8,367,216
Hedging derivatives	15	1,869	3,589	Current taxes		1,928	2,095
Accounts receivable		68,117	41,518	Provisions	7	536,701	545,154
Asset seized and recovered through legal actions, net		193,806	217,944	Deferred tax		-	289
Investments in associates		3,158	3,873	Other liabilities	7	656,865	423,689
Property, furniture and equipment, net	6	871,999	893,661	TOTAL LIABILITIES		<u>66,156,037</u>	<u>71,588,982</u>
Current taxes		286,572	261,015	EQUITY			
Deferred income tax		427,256	423,728	Capital stock	11 (a)	4,883,119	4,401,368
Other assets	7	920,603	727,938	Additional capital		-	-
Goodwill		5,289	5,289	Reserves	11 (b)	1,383,079	1,249,175
				Adjustments to equity	11 (d)	1,480	380
				Retained earnings	11 (c)	642,944	1,335,653
				TOTAL EQUITY		<u>6,910,622</u>	<u>6,986,576</u>
TOTAL ASSETS		<u>73,066,659</u>	<u>78,575,558</u>	TOTAL LIABILITIES AND EQUITY		<u>73,066,659</u>	<u>78,575,558</u>
CONTINGENT RISKS AND COMMITMENTS	15	24,425,507	25,513,948	CONTINGENT RISKS AND COMMITMENTS	15	24,425,507	25,513,948

The accompanying notes are an integral part of these consolidated financial statements.

BBVA BANCO CONTINENTAL AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
For the six-months periods ended June 30, 2017 and 2016
In thousands of S'

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
Interest income	16	2,207,303	2,221,088
Interest expenses	17	(771,504)	(803,423)
GROSS FINANCIAL MARGIN		1,435,799	1,417,665
Provisions for direct loans		(329,450)	(309,954)
NET FINANCIAL MARGIN		1,106,349	1,107,711
Income from financial services	19	528,950	520,815
Expenses for financial services	19	(149,181)	(101,487)
NET FINANCIAL MARGIN OF INCOME AND EXPENSES FOR FINANCIAL SERVICES		1,486,118	1,527,039
Gain/loss from financial operations		267,349	238,996
OPERATING MARGIN		1,753,467	1,766,035
Administrative expenses	18	(747,207)	(809,440)
NET OPERATING MARGIN		1,006,260	956,595
Valuation of assets and provisions		(94,163)	(72,806)
OPERATING PROFIT		912,097	883,789
Other income and expenses		(28,497)	(13,052)
PROFIT FOR THE PERIOD BEFORE INCOME TAX		883,600	870,737
Income tax		(238,341)	(227,124)
NET PROFIT FOR THE PERIOD		645,259	643,613
Basic and diluted earnings per share in Soles	13	0.132	0.132

The accompanying notes are an integral part of these consolidated financial statements.

BBVA BANCO CONTINENTAL AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME**

For the six-months periods ended June 30, 2017 and 2016

In thousands of S/

	<u>2017</u>	<u>2016</u>
NET PROFIT FOR THE PERIOD	645,259	643,613
Other comprehensive income:		
Available-for-sale investments	2,652	10,352
Cash flow hedges	(3,718)	(4,341)
Participation in other comprehensive income of associates	(6)	49
Income tax related to items of other comprehensive income	<u>2,171</u>	<u>1,058</u>
Other comprehensive income for the period, net of taxes	<u>1,100</u>	<u>7,118</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>646,359</u></u>	<u><u>650,731</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

BBVA BANCO CONTINENTAL AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY**

For the six-months periods ended June 30, 2017 and 2016

In thousands of S/

	Reserves			Adjustments to Equity			Total equity	
	Capital stock	Mandatory reserves	Voluntary reserves	Retained earnings	Cash flow hedges	Available-for-sale investments and other comprehensive income from associates		Total adjustments to equity
	Note 12 (a)	Note 12(b)	Note 12 (b)	Note 12 (c)	Note 12 (d)	Note 12 (d)		
Balances as of January 1, 2016	3,784,146	1,111,786	-	1,371,790	573	(12,122)	(11,549)	6,256,173
Changes in equity:								
Comprehensive income:								
Net profit for the period	-	-	-	643,613	-	-	-	643,613
Other comprehensive income	-	-	-	-	(3,213)	10,331	7,118	7,118
Total comprehensive income	-	-	-	643,613	(3,213)	10,331	7,118	650,731
Changes in net equity (not included in comprehensive income)								
Declared dividends in cash	-	-	-	(617,222)	-	-	-	(617,222)
Issuance of equity shares (different than business combination)	617,222	-	-	(617,222)	-	-	-	-
Transfers to reserves and others movements	-	137,306	-	(137,160)	-	-	-	146
Total changes in equity	617,222	137,306	-	(727,991)	(3,213)	10,331	7,118	33,655
Balances as of June 30, 2016	4,401,368	1,249,092	-	643,799	(2,640)	(1,791)	(4,431)	6,289,828
Balances as of January 1, 2017	4,401,368	1,249,092	83	1,335,653	1,373	(993)	380	6,986,576
Changes in equity:								
Comprehensive income:								
Net profit for the period	-	-	-	645,259	-	-	-	645,259
Other comprehensive income	-	-	-	-	(2,621)	3,721	1,100	1,100
Total comprehensive income	-	-	-	645,259	(2,621)	3,721	1,100	646,359
Changes in net equity (not included in comprehensive income)								
Declared dividends in cash	-	-	-	(722,503)	-	-	-	(722,503)
Issuance of equity shares (different than business combination)	481,751	-	(83)	(481,668)	-	-	-	-
Transfers to reserves and others movements	-	133,987	-	(133,797)	-	-	-	190
Total changes in equity	481,751	133,987	(83)	(692,709)	(2,621)	3,721	1,100	(75,954)
Balances as of June 30, 2017	4,883,119	1,383,079	-	642,944	(1,248)	2,728	1,480	6,910,622

The accompanying notes are an integral part of these consolidated financial statements.

BBVA BANCO CONTINENTAL AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six-months periods ended June 30, 2017 and 2016
In thousands of S/

	<u>2017</u>	<u>2016</u>
RECONCILIATION OF NET PROFIT FOR THE PERIOD WITH CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES:		
Net Profit for the period	645,259	643,613
Adjustments	646,613	520,030
Depreciation and amortization	59,924	54,013
Provisions	363,688	329,407
Other adjustments	223,001	136,610
Net variation in assets and liabilities	(3,060,763)	(1,771,226)
Net (decrease) increase in assets	1,319,505	1,134,542
Loans	2,233,145	(624,334)
Investments at fair value through profit or loss	(1,036,376)	(25,126)
Available-for-sale investments	(1,554,646)	473,488
Receivables and other accounts	1,677,382	1,310,514
Net (decrease) increase in liabilities	(4,380,268)	(2,905,768)
Financial liabilities, unsubordinated debt	(3,806,032)	(1,321,195)
Accounts payable and others	(574,236)	(1,584,573)
Profit for the period, after net changes in assets and liabilities and adjustments	(1,768,891)	(607,583)
Paid income tax	(245,390)	(198,304)
NET CASH FLOWS TO OPERATING ACTIVITIES	(2,014,281)	(805,887)
CASH FLOWS OF INVESTMENT ACTIVITIES:		
Outflows for sales of intangibles and property, furniture and equipment	(67,219)	(56,730)
Outflows for purchases of subsidiaries, net	-	(98,061)
Other inflows related to investment activities	27,441	12,099
NET CASH FLOWS TO INVESTMENT ACTIVITIES	(39,778)	(142,692)
CASH FLOWS OF FINANCING ACTIVITIES:		
Other proceeds related to financing activities	-	22,551
Dividends paid	(722,401)	(616,724)
NET CASH FLOWS TO FINANCING ACTIVITIES	(722,401)	(594,173)
NET DECREASE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE VARIATION	(2,776,460)	(1,542,752)
Effect of exchange rate variation on cash and cash equivalents	(539,151)	(745,796)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,315,611)	(2,288,548)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	14,652,430	15,270,159
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	11,336,819	12,981,611

The accompanying notes are an integral part of these consolidated financial statements.

BBVA BANCO CONTINENTAL AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six-months periods ended June 30, 2017 and 2016
In thousands of S/

	<u>2017</u>	<u>2016</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD WITH ACCOUNT BALANCES IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION		
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	11,336,819	12,981,611
Guarantee funds	6,200,832	8,409,811
Interbank funds	(224,648)	(296,013)
Investments with maturities less than 90 days	<u>(428,212)</u>	<u>-</u>
CASH AS PER CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	<u><u>16,884,791</u></u>	<u><u>21,095,409</u></u>

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2017

(In thousands of Soles)

1. INCORPORATION, ECONOMIC ACTIVITY AND APPROVAL OF FINANCIAL STATEMENTS

Incorporation

BBVA Banco Continental (hereinafter the Bank) is a subsidiary of Newco Perú S.A.C, which owns 46.12% of the capital stock of the Bank. Banco Bilbao Vizcaya Argentaria owns 100% of the shares of Newco Perú S.A.C. The Bank is a public company incorporated in 1951, authorized to operate by the Peruvian Banking Regulator (The Superintendency of Banking, Insurance and Private Administrators of Pension Funds, hereinafter the SBS, for its Spanish acronym) based in Lima, Peru. The Bank's main office legal address is Av. República de Panamá No. 3055, San Isidro, Lima.

Economic Activity

The Bank's operations primarily include financial intermediation corresponding to multiple banks and regulated activities by the SBS, in accordance with the Ley General del Sistema Financiero y del Sistema de Seguros y Orgánica de la SBS (General Law of the Financial and Insurance Systems and Organic Law of the SBS), Law No. 26702 and its amendments (hereinafter the General Law). All private legal entities operating in the financial and insurance system are subject to the General Law which establishes certain requirements, rights, obligations, guarantees, restrictions and other conditions.

As of June 30, 2017, and December 31, 2016, the Bank carries out its activities through a network of 332 and 334 offices, respectively. The total number of employees of the Bank and its subsidiaries as of June 30, 2017, and December 31, 2016 was 5,681 and 5,690, respectively.

As of June 30, 2017 and December 31, 2016, the Bank has a 100% shareholding and voting rights over the 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 (these three aforementioned companies are subsidiaries since April, 2016). Even though the Bank has no equity stake or voting rights in Continental DPR Finance Company (DPR), due to the characteristics of its business purpose and its relationship with the Bank, accounting standards require that DPR's financial statements should be included on a consolidated basis with those of the Bank (all these companies will be referred to as Grupo Continental).

Change of the parent company

On July 1, 2016, 50% of equity of the assets and liabilities of Holding Continental S.A. was split off to Newco Perú S.A.C., and as a result, 46.12% of shares of the Bank were assigned to Newco Perú S.A.C. This split-off was authorized by the SBS through Resolution SBS No. 3304-2016 dated June 15, 2016. Through this split-off, the ownership of shares of Banco Bilbao Vizcaya Argentaria S.A. was transferred to Newco Perú S.A.C., and Inversiones Breca S.A. maintained its ownership of the shares of the Bank through Holding Continental S.A.

Acquisition of subsidiaries

On April 6, 2016, the Bank acquired 51.68% of shares of the capital stock of BBVA Consumer Finance EDPYME, Forum Comercializadora del Perú S.A. and Forum Distribuidora del Perú S.A. Also, on April 29, 2016, the Bank acquired the remaining 48.32% of shares of the capital stock of the companies mentioned above.

The acquisition values of the entities are the following:

In thousands of S/

Acquired Companies	Acquisition value	% Participation
BBVA Consumer Finance EDPYME	67,021	100
Forum Comercializadora del Perú S.A	16,941	100
Forum Distribuidora del Perú S.A.	21,499	100
Total	105,461	

The assets, liabilities and equity of the entities acquired as of March 31, 2016, are the following:

In thousands of S/

Acquired Companies	Assets	Liabilities	Equity
BBVA Consumer Finance EDPYME	231,369	170,222	61,147
Forum Comercializadora del Perú S.A	13,944	1,090	12,854
Forum Distribuidora del Perú S.A.	55,246	29,075	26,171
Total	300,559	200,387	100,172
Goodwill			5,289
Total			105,461

The goodwill of S/ 5 million is the additional value paid for the carrying amount of the acquired companies and it corresponds to the expected value of the acquired business.

Additionally, as a 100% shareholder of Forum Comercializadora del Perú S.A., the Bank agreed to reduce its capital stock by S/7.4 million during the Shareholders Meeting held on April 29, 2016.

On May 1, 2016, the Bank sold one share to Inmuebles y Recuperaciones Continental S.A. of Forum Comercializadora del Perú S.A. and Forum Distribuidora del Perú S.A.

Approval of the consolidated financial statements

The consolidated financial statements as of June 30, 2017, were approved for issuance by the management of Grupo Continental.

Subsidiaries and Special Purpose Entities (SPE)

The consolidated financial statements include the financial statements of the Bank, its subsidiaries and a SPE.

The assets, liabilities and shareholder's equity of the entities of Grupo Continental as of June 30, 2017 and December 31, 2016 are as follows:

Entity	(In millions of Soles)					
	Assets		Liabilities		Equity	
	2017	2016	2017	2016	2017	2016
BBVA Banco Continental	73,069	78,620	66,156	71,631	6,913	6,989
Continental Bolsa - Sociedad Agente de Bolsa S.A.	40	38	22	17	18	21
BBVA Asset Management Continental S.A. Sociedad Administradora de Fondos	51	54	2	2	49	52
Continental Sociedad Titulizadora S.A.	3	3	-	-	3	3
Inmuebles y Recuperaciones Continental S.A.	51	48	4	4	47	44
Continental DPR Finance Company	272	481	272	481	-	-
BBVA Consumer Finance Edpyme	424	342	358	287	66	55
Forum Comercializadora S.A	3	3	1	1	2	2
Forum Distribuidora S.A	93	85	76	58	17	27

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies as of June 30, 2017, remained unchanged with respect to those in the audit report issued on February 17, 2017, by Beltrán, Gris y Asociados S. Civil de R.L.; representatives of Deloitte, for the years ended December 31, 2016 and 2015.

3. CASH AND DUE FROM BANKS

As of June 30, 2017, cash and due from banks include approximately US\$ 2,316 and S/ 1,991 million (US\$ 2,447 and S/ 1,726 million as of December 31, 2016), 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 and in Banco Central de Reserva del Perú (BCRP).

As of June 30, 2017, 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 44.33% over total obligations subject to required reserve (TOSE) in local and foreign currency as required by BCRP (as of December 31, 2016, the applicable implicit rates in local and in foreign currencies were 6.5% 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, 2017, the interest income earned from these deposits was S/ 7.2 million (S/ 8 million as of December 31, 2016), and it is included in the category “Interest from deposits in financial institutions” of the consolidated statement of income. Pursuant to legal provisions in force, these reserves cannot be seized.

As of June 30, 2017 and December 31, 2016, cash and due from banks include restricted funds for S/ 2 million, which correspond to legal proceedings against the Bank and to secure any liabilities generated by these lawsuits.

As of June 30, 2017, the guarantee funds from derivative operations amount to S/ 332 million (S/ 8 million as of December 31, 2016).

As of June 30, 2017 and December 31, 2016, cash and due from banks include guarantee funds, which are used to secure foreign exchange repurchase agreements entered with BCRP, balances for S/ 5,870 and S/ 7,906 million, respectively (Note 7-b).

4. INVESTMENT IN SECURITIES

As of June 30, 2017 and December 31, 2016, the investments in securities, according to the type of financial instrument are as follows:

In thousands of S/

	<u>2017</u>	<u>2016</u>
Available-for-sale investments assets		
Certificates of deposit of BCRP (a)	3,621,338	2,696,557
Sovereign Bonds of the Republic of Peru (b)	159,501	104,567
Corporate Bonds	93,384	33,276
Shares in local companies (c)	44,814	47,710
Share in foreign companies	637	637
	<u>3,919,674</u>	<u>2,882,747</u>
Held-to-maturity financial assets		
Sovereign bonds of the Republic of Peru (b)	<u>473,854</u>	<u>470,686</u>
Investments assets at fair value through profit or loss		
Certificates of deposit of BCRP (a)	1,136,839	124,701
Sovereign bonds of the Republic of Peru (b)	99,489	99,641
Investments in mutual funds (d)	33,200	8,811
	<u>1,269,528</u>	<u>233,153</u>

- (a) The BCRP Certificates of deposits are freely tradable securities, with maturities up to October 2018, which were acquired in public auctions or secondary markets at interest rates offered by financial entities. As of June 30, 2017, the annual interest rate of these certificates in local currency oscillate between 3.72% and 3.95% (As of December 31, 2016, they oscillate between 4.25% and 4.60% and in foreign currency between 0.61% and 0.62%).
- (b) Sovereign bonds are issued by the Peruvian government. As of June 30, 2017, they accrued interests at annual rates fluctuating between 1.40% and 6.47% (2% and 7.20% as of December 31, 2016) in local currency with terms up to February 2055 (February 2055 as of December 31, 2016).
- (c) As of June 30, 2017 and December 31, 2016, this balance mainly includes shares of Lima Stock Exchange (BVL for its Spanish acronym) for a total value of S/ 40 and S/ 44 million respectively.
- (d) As of June 30, 2017 and December 31, 2016, the investment in mutual funds corresponds to ownership of shares held by Grupo Continental in several mutual funds managed by BBVA Asset Management Continental S.A. Sociedad Administradora de Fondos.

5. LOAN PORTFOLIO

a) As of June 30, 2017 and December 31, 2016, the loan portfolio comprises the following:

In thousands of S/	2017		2016	
		%		%
Direct loans				
Loans	17,576,074	38	18,908,937	38
Mortgages loans	11,056,671	24	10,917,221	22
Foreign trade loans	5,049,652	11	5,904,719	12
Financial lease	4,848,872	10	5,247,666	11
Consumer	4,646,559	10	4,576,672	9
Discounted notes	1,025,765	2	1,379,693	3
Others	2,495,858	5	2,854,158	6
	46,699,451	100	49,789,066	100
Past-due loans and under legal collection loans	1,439,731	2	1,257,089	2
Refinanced and restructured credits	969,280	2	942,301	2
	49,108,462	104	51,988,456	104
Plus: Accrued interest	324,673	1	371,692	1
	49,433,135	105	52,360,148	105
Deferred income from loan transactions	(55,511)	0	(48,912)	0
Allowance for loan losses	(2,466,011)	-5	(2,356,212)	-5
TOTAL	46,911,613	100	49,955,024	100
Indirect loans	15,651,959		16,854,889	

Loan secured by guarantees received from customers, mainly composed by mortgages, deposits, letters of guarantee, warrants and financial lease operations, amount to S/ 36,959 and S/ 38,366 million as of June 30, 2017 and December 31, 2016, respectively.

As of June 30, 2017, part of the mortgage loan portfolio guarantees a debt with "Mi Vivienda - Mi Hogar" Fund for up to about S/ 518 million (S/ 536 million as of December 31, 2016) (Note 10-b).

As of June 30, 2017 and December 31, 2016, the annual average interest rates of the main products were as follows:

	2017		2016	
	Loans in		Loans in	
	S/	US\$	S/	US\$
	%	%	%	%
Loans and discounts	8.22	5.88	8.10	6.27
Mortgages	8.53	7.61	8.66	7.79
Consumer	26.23	28.05	25.58	27.32

- b) The table below presents the balances of the direct loan portfolio as of June 30, 2017 and December 31, 2016, under the distribution established by SBS Resolution No. 11356-2008, as follows:

In thousands of S/	2017		2016	
		%		%
Medium businesses	11,441,496	23	11,541,349	22
Mortgage	10,924,965	22	11,231,044	22
Corporate	10,601,210	22	11,683,100	22
Large businesses	8,378,594	17	9,311,519	18
Consumer	4,813,269	10	4,721,392	9
Small businesses	1,170,328	2	1,284,575	2
Public sector entities	905,170	2	866,075	2
Financial system companies	520,211	1	785,956	2
Stock brokers	122,401	0	349,879	1
Multilateral Development Banks	118,268	0	119,008	0
Micro-businesses	112,549	0	94,559	0
Sovereigns	-	0	-	-
	49,108,462	100	51,988,456	100

- c) As of June 30, 2017 and December 31, 2016, the loan portfolio was distributed in the following economic sectors:

In thousands of S/	2017		2016	
		%		%
Mortgage and consumer loans	16,219,004	33	15,952,436	31
Manufacture	8,914,123	18	9,935,631	19
Commerce	8,853,932	18	9,673,102	19
Others	3,717,050	8	3,715,335	7
Real estate, business and leasing	2,722,464	6	2,691,618	5
Transportation, storage and communications	2,675,156	5	3,045,934	6
Mining	1,473,814	3	1,491,642	3
Electricity, gas and water	1,450,182	3	1,818,495	3
Agriculture and livestock	1,204,324	2	1,465,249	3
Construction	1,039,410	2	1,132,217	2
Financial intermediation	839,003	2	1,066,797	2
Total	49,108,462	100	51,988,456	100

- d) For the six-months period ended June 30, 2017 and the year ended December 31, 2016, the movement in the allowance for direct loan losses was:

In thousands of S/	<u>2017</u>	<u>2016</u>
Balance as of December 31	2,356,212	2,192,644
Provisions	930,917	1,492,962
Recoveries and reversals	(601,452)	(865,887)
Portfolio sales	(190,215)	(450,480)
Foreign exchange difference and other adjustments	(29,451)	(29,206)
Balances transferred by acquisition	-	16,179
Balance as of June 30	<u>2,466,011</u>	<u>2,356,212</u>

Management considers that the level of the provision for uncollectible loans covers potential losses in the direct credit portfolio at the date of the consolidated statement of financial position and all applicable laws and regulations have been complied with.

As of June 30, 2017, the general provision for the loan portfolio amounts to S/ 1,088 million (S/ 1,158 million as of December 31, 2016) and includes voluntary and procyclical provisions for S/ 729 million (S/ 773 million as of December 31, 2016).

During 2017, Grupo Continental sold a loan portfolio for a principal amount of approximately S/ 145 million (S/ 303 million as of December 31, 2016). The sale price was S/ 11 million (S/ 39 million in 2016) and was recorded in the item "Gain/loss from financial operations" in the consolidated statement of income.

6. PROPERTY, FURNITURE AND EQUIPMENT, NET

The movement of property, furniture and equipment is as follows:

In thousands of S/

	<u>Land</u>	<u>Buildings and facilities</u>	<u>Furniture and equipment</u>	<u>Vehicles</u>	<u>Facilities and leasehold improvements</u>	<u>Works in progress</u>	<u>In - transit and replacement units</u>	<u>Total</u>
Cost:								
Balance as of January 1, 2016	120,822	783,264	507,565	7,411	218,123	23,588	710	1,661,483
Additions	-	10,961	59,806	1,088	6,617	44,843	437	123,752
Disposals	-	-	(13)	-	-	-	-	(13)
Transfers and others	(179)	16,742	9,716	-	16,987	(47,552)	(847)	(5,133)
Balance as of December 31, 2016	120,643	810,967	577,074	8,499	241,727	20,879	300	1,780,089
Additions	-	3,363	3,574	-	2,530	21,102	596	31,165
Disposals	-	-	(14)	-	-	-	-	(14)
Transfers and others	-	12,051	3,111	(449)	5,797	(22,233)	(221)	(1,944)
Balance as of June 30, 2017	<u>120,643</u>	<u>826,381</u>	<u>583,745</u>	<u>8,050</u>	<u>250,054</u>	<u>19,748</u>	<u>675</u>	<u>1,809,296</u>
Accumulated depreciation:								
Balance as of January 1, 2016	-	420,200	264,865	5,729	92,426	-	-	783,220
Additions	-	35,265	49,160	762	21,599	-	-	106,786
Disposals	-	-	(15)	-	-	-	-	(15)
Transfers and others	-	(1,460)	(2,116)	-	13	-	-	(3,563)
Balance as of December 31, 2016	-	454,005	311,894	6,491	114,038	-	-	886,428
Additions	-	17,886	27,140	379	11,480	-	-	56,885
Disposals	-	-	(15)	-	-	-	-	(15)
Transfers and others	-	(19)	(5,528)	(451)	(3)	-	-	(6,001)
Balance as of June 30, 2017	<u>-</u>	<u>471,872</u>	<u>333,491</u>	<u>6,419</u>	<u>125,515</u>	<u>-</u>	<u>-</u>	<u>937,297</u>
Net cost:								
Balance as of June 30, 2017	<u>120,643</u>	<u>354,509</u>	<u>250,254</u>	<u>1,631</u>	<u>124,539</u>	<u>19,748</u>	<u>675</u>	<u>871,999</u>
Balance as of December 31, 2016	<u>120,643</u>	<u>356,962</u>	<u>265,180</u>	<u>2,008</u>	<u>127,689</u>	<u>20,879</u>	<u>300</u>	<u>893,661</u>

7. OTHER ASSETS, OTHER LIABILITIES, ACCOUNTS PAYABLE AND PROVISIONS

As of June 30, 2017 and December 31, 2016, these captions consisted of the following balances:

- (a) Other assets as of June 30, 2017, mainly include S/ 122 million deferred charges (S/ 123 million as of December 31, 2016) and S/ 625 million for transactions in process (S/ 464 million as of December 31, 2016).
- (b) Payables as of June 30, 2017, mainly include pending payments to suppliers for S/ 227 million (S/ 174 million as of December 31, 2016), sundry accounts payable for S/ 21 million (S/ 17 million as of December 31, 2016), premiums to Fondo de Seguro de Depósitos (Deposit insurance fund), contributions and obligations with tax collection entities for S/ 170 million (S/ 138 million as of December 31, 2016) and dividends, employees' sharing profit and remunerations payable for S/ 62 million (S/ 96 million as of December 31, 2016) and currency repurchase agreement operations (Note 3), certificate of deposit with BCRP and sovereign bonds from Republica del Perú (Note 4) for S/ 7,103 million (S/ 7,750 million as of December 31, 2016) of currency repurchase agreement operations with BCRP and certificates of deposit with BCRP).
- (c) Other liabilities as of June 30, 2017, mainly include S/ 634 million of transactions in process (S/ 402 million as of December 31, 2016).
- (d) Provisions include provisions for indirect loans, litigation, claims, and provisions for employees, among others, which as of June 30, 2017 and December 31, 2016, amounted to S/ 537 and S/ 545 million, respectively. Grupo Continental has several lawsuits and litigation currently in progress and other court actions related to its core activities. Management and legal counsel consider that the outcome, of these legal actions will not result in additional provisions. Therefore, as of June 30, 2017 and December 31, 2016, Management did not consider a higher provision than that recorded for these contingencies and court actions, which amounted to S/ 202 and S/ 209 million, respectively.

8. OBLIGATIONS TO THE PUBLIC

As of June 30, 2017 and December 31, 2016, these deposits were classified as follows:

In thousands of S/	<u>2017</u>	<u>2016</u>
Time deposits	18,383,584	19,069,861
Demand deposits	13,941,916	15,415,797
Savings deposits	13,029,149	13,408,216
Other obligations	54,837	52,930
Total	<u><u>45,409,486</u></u>	<u><u>47,946,804</u></u>

Interest rates for borrowing transactions are determined by Grupo Continental considering current market interest rates.

9. INTERBANK FUNDS

As of June 30, 2017, interbank funds assets have current maturity and accrued an annual interest rate of 4 % in local currency (4.25% in local currency as of December 31, 2016) and 1.25% in foreign currency (0.60% in foreign currency as of December 31, 2016). They do not have specific guarantees.

As of June 30, 2017, interbank funds liabilities have current maturity and accrued an annual interest rate of 4 % in local currency. They do not have specific guarantees.

10. DUE TO BANKS AND FINANCIAL OBLIGATIONS

Shown below are the details of financial debts and obligations:

In thousands of S/	<u>2017</u>	<u>2016</u>
Foreign financial entities (a)	1,819,007	4,238,854
“Mi Vivienda - Mi Hogar” program and local financial entities (b)	557,638	550,487
International financial organizations (c)	41,824	158,211
Corporación Financiera de Desarrollo – COFIDE	10,715	33,188
Accrued interests payable	19,566	65,927
Private debt agreement	-	33,560
Total debts and financial obligations	<u>2,448,750</u>	<u>5,080,227</u>
Corporate bonds	4,256,451	4,327,732
Subordinated bonds	1,599,932	1,658,965
Financial lease bonds	405,100	405,100
Notes (Debt Instruments)	253,619	359,971
Negotiable certificates of deposit	63,678	112,440
Accrued interests payable	81,175	79,360
Total securities and bonds	<u>6,659,955</u>	<u>6,943,568</u>
	<u>9,108,705</u>	<u>12,023,795</u>

Some loan agreements include standard clauses regarding the compliance with financial ratios, the use of funds and other administrative matters. Management believes that, as of June 30, 2017 and December 31, 2016, these clauses are being fully complied with and do not represent any restriction for the operations of Grupo Continental.

(a) Foreign financial entities

As of June 30, 2017, these balances accrued interest at market rates, oscillating between 1.2% and 7.4% (1.2% and 7.4% as of December 31, 2016):

In thousands of S/ and US \$

<u>Foreign financial institution</u>	<u>2017</u>		<u>2016</u>		<u>Due date</u>
	<u>US\$</u>	<u>S/</u>	<u>US\$</u>	<u>S/</u>	
Deutsche Bank (i)	338,677	1,101,716	343,006	1,151,128	November 2020
Credit Suisse (ii) (iv)	200,000	650,600	200,000	671,200	October 2040
The Bank of New York (iii)	18,000	58,554	48,000	161,088	August 2017
DEG Deutsche Investitions (iv)	2,500	8,133	5,000	16,780	October 2017
Otros menores	1	4	2,788	9,358	July 2017
Goldman Sachs Bank	-	-	500,101	1,678,339	
Standard Chartered	-	-	55,000	184,579	
Corporación Andina de Fomento	-	-	40,000	134,240	
Wells Fargo Bank	-	-	39,172	131,462	
Citibank NA	-	-	30,000	100,680	
	<u>559,178</u>	<u>1,819,007</u>	<u>1,263,067</u>	<u>4,238,854</u>	
Accrued interest payable	5,788	18,827	19,004	63,776	
	<u>564,966</u>	<u>1,837,834</u>	<u>1,282,071</u>	<u>4,302,630</u>	

(i) Loan for a nominal amount of US\$ 350 million, arranged at an annual fixed rate of 5.50% with

principal maturity in November 2020 ("bullet"). This loan was carried at a fair value hedge through an interest-rate swap (IRS), for which the Bank recorded accumulated adjustments of S/33 million for gains to the carrying amount as of June 30, 2017, which corresponds to the variation of fair value of the hedged interest rate risk (S/18 million for accumulated gains as of December 31, 2016).

- (ii) Corresponds to a subordinated loan in foreign currency at an interest rate of 7.38% approved by the SBS. Pursuant to SBS Resolution No. 975-2016, this loan will continue to be considered as Tier 1 Regulatory Capital observing the adequacy period established by the new rules of subordinated debt, effective from February 2016.
- (iii) This item includes a loan for a total amount of US\$ 18 million maturing in August , 2017 and includes a cash flow hedge through a cross currency swap – CCS (Note 15-a).
- (iv) As of June 30, 2017 and December 31, 2016, the bank holds accounts payable for S/ 9 million in both periods (Note 7) in the consolidated statements of financial position corresponds to deferred issuance expenses.

(b) “Mi Vivienda – Mi Hogar” Program

As of June 30, 2017, these debts mainly include resources obtained for the social housing program Mi Vivienda” for S/ 508 million in local currency and US\$ 3 million in foreign currency (S/ 523 million in local currency and US\$ 4 million in foreign currency as of December 31, 2016). This loan has different maturities until June 2037 and accrues interests at an annual effective rate of 7.75% in U.S. dollars and 6.25% in local currency on principal plus the Constant Adjustment index (hereinafter VAC, for its Spanish acronym).

As of June 30, 2017, debts with “Mi Vivienda – Mi Hogar” Fund which amount to S/ 518 million (S/ 536 million as of December 31, 2016) are secured by a portion of the mortgage loan portfolio up to such amount (Note 5). Loans include specific arrangements about how these funds should be used, financial covenants that the borrower must meet, as well as other administrative matters.

(c) International financial organizations

Debts to international financial organizations accrued interest at international market rates between Libor +1.35% and 6.38% as of June 30, 2017 (1.35% and 6.38% as of December 31, 2016), and are unsecured.

In thousands of S/ and US\$

International financial Organization	2017		2016		Due date
	US\$	S/	US\$	S/	
Internacional Finance Corporation - IFC	12,857	41,824	30,000	100,680	December 2018
Interamerican Development Bank - IDB	-	-	17,143	57,531	
	<u>12,857</u>	<u>41,824</u>	<u>47,143</u>	<u>158,211</u>	
Accrued expenses payable	1	3	440	1,475	
	<u>12,858</u>	<u>41,827</u>	<u>47,583</u>	<u>159,686</u>	

(d) Securities and bonds

As of June 30, 2017 and December 31, 2016, securities and bonds have the following details:

In thousands of S/

Program	Authorized amount	Issuance	Series	Currency	Nominal issuance value	Balance at June 2017	Balance at December 2016	Maturity date
Corporate bonds								
Third	USD 100 million or S/. 315 million	Seventh	Single	PEN	60,000	60,000	60,000	May 2018
Fourth	USD 100 million	First	Single	PEN	40,000	40,000	40,000	August 2020
		Second	A	PEN	80,000	80,000	80,000	August 2020
		Third	A	PEN	100,000	100,000	100,000	August 2018
Fifth	USD 250 million	Second	A	PEN	150,000	150,000	150,000	December 2026
		Fifth	Single	PEN	200,000	193,116	187,551	April 2019
Sixth	USD 250 million	First	A	PEN	150,000	150,000	150,000	April 2019
		First	B	PEN	100,000	100,000	100,000	April 2019
		Second	A	PEN	150,000	150,000	150,000	June 2021
First International Issuance	USD 500 million	First	Single	USD	500,000	1,617,090	1,650,674	August 2022
Third International Issuance	USD 500 million	Third	Single	USD	500,000	1,616,245	1,659,507	April 2018
						4,256,451	4,327,732	
Subordinated Bonds								
First	USD 50 million or S/. 158.30 million	Second	A	USD	20,000	65,060	67,120	May 2027
		Third	A	PEN	55,000	76,809	75,653	June 2032
Second	USD 100 million	First	A	PEN	40,000	-	39,821	
		First	A	USD	20,000	64,755	66,793	September 2017
		Second	A	PEN	50,000	68,386	67,356	November 2032
		Third	A	USD	20,000	65,060	67,120	February 2028
		Fourth	Single	PEN	45,000	59,395	58,501	July 2023
		Fifth	Single	PEN	50,000	65,142	64,162	September 2023
		Sixth	A	PEN	30,000	38,412	37,834	December 2033
Third	USD 55 million	First	Single	USD	45,000	146,385	151,020	October 2028
First International Issuance	USD 300 million	First	Single	USD	300,000	950,528	963,585	September 2029
						1,599,932	1,658,965	
Notes								
	USD 235 million	Second	2012-A, 2012-B, 2012-C and 2012-D	USD	235,000	253,619	359,971	June 2022
						253,619	359,971	
Leasing bonds								
Second	USD 200 million	First	B	PEN	205,100	205,100	205,100	October 2019
		First	C	PEN	200,000	200,000	-	January 2020
		First	A	PEN	200,000	-	200,000	
						405,100	405,100	
Negotiable Certificates of Deposit								
						63,678	112,440	
Accrued interests payable on securities								
						81,175	79,360	
						6,659,955	6,943,568	

Corporate bonds are unsecured and accrue interests at annual rates in local currency fluctuating between 5.8% and 7.5% as of June 30, 2017 (between 5.8% and 7.5% as of December 31, 2016), and between 3.3% and 5% in foreign currency as of June 30, 2017 (between 3.3% and 5% as of December 31, 2016).

The issuance of corporate bonds for S/ 200 million is hedged with a cross currency swap (CCS). As of June 30, 2017, the Bank has included accumulated adjustments of S/ 7 million for profits to the carrying amount (Note 15-a), which corresponds to the variation of fair value of hedged currency risk (S/12 million of cumulative gains as of December 31, 2016).

In August 2012, the Bank carried out an international issuance for 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, for which the Bank recorded accumulated adjustments of S/ 9 million for profit to the carrying amount as of June 30, 2017 (Note 15-a), which corresponds to the variation of fair value of hedged interest rate risk (S/ 27 million as of December 31, 2016 of cumulative gains)

In April 2013, the Bank carried out an international issuance for a nominal amount of US\$ 500 million, at an annual fixed interest rate of 3.25%, maturing in April 2018. Principal will be fully paid off upon maturity. Likewise, such issuance has a fair value hedged through an IRS, for which the Bank recorded accumulated adjustments of S/ 9 million for profit to the carrying amount as of June 30, 2017 (Note 15-a), which corresponds to the variation of fair value of hedged interest rate risk (S/ 16 million as of December 31, 2016 of cumulative gains).

In September 2014, the Bank carried out an international issuance of subordinated bonds for a nominal amount of US\$ 300 million, at an annual fixed rate of 5.25%, maturing in September 2029. Principal will be fully paid off upon maturity. Likewise, such issuance has fair value hedge through an IRS, for which the Bank recorded accumulated adjustments of S/19 million for profit to the carrying amount as of June 30, 2017 (Note 15-a), corresponding to the variation of fair value of hedged interest rate risk (S/ 37 million as of December 31, 2016 of cumulative gains).

Subordinated bonds were issued according to the conditions set forth in the General Law, which accrued interests at annual rates oscillating between VAC plus spread and 5.8% in local currency and between Libor plus spread and 6.5% in foreign currency.

Financial lease bonds accrue interest at an annual rate oscillating between 5.5% and 6% in local currency, are secured by loan transactions in the form of financial leases and have been financed by those bonds.

As of June 30, 2017 and December 31, 2016, the Bank holds in accounts payable (Note 7) in the statement of financial position a balance of S/ 14 and S/ 16 million, respectively, which correspond to issuance costs.

The issuance notes of June, 2012, amounting to US\$ 79 million as of June 30, 2017 (Note 15-b), includes a debt for US\$ 29 million, with maturity date on June, 2022, and has a cash flow hedge through an IRS (Note 15-a). Additionally, these notes include a debt for US\$ 50 million at an annual fixed rate of 5%, with maturity date on June, 2022 and allocated in a fair value hedge through an IRS, for which the Bank has recorded accumulated adjustments of S/ 2 million for profit to the carrying amount as of June 30, 2017, which corresponds to the variation of fair value of hedge interest rate risk (S/ 3 million as of December 31, 2016 of cumulative gains).

11. EQUITY

(a) Capital Stock

As of June 30, 2017 and December 31, 2016, the Bank's authorized, issued and fully paid-in capital in accordance with its by-laws is represented by 4,883,119 thousands of outstanding ordinary shares with a face value of S/ 1 each.

The Annual Mandatory Shareholders Meetings held on March 30, 2017 and March 31, 2016, authorized an increase of the capital stock for S/ 482 and S/ 617 million, respectively, by the capitalization of retained earnings and voluntary reserve.

Common shares are listed in the Lima Stock Exchange (BVL). As of June 30, 2017, the stock market value of the Bank's shares was S/ 4.47 per share (S/ 4 per share as of December 31, 2016) with a trading frequency of 100% (100% as of December 31, 2016).

The number of shareholders and the shareholding ownership structure of the Bank were as follows:

Individual capital shareholding	Number of shareholders	Total Shareholding (%)
Up to 1	7,776	3.39
From 1.01 to 5	3	4.47
From 45.01 to 100	2	92.24
	7,781	100.00

(b) Reserves

Pursuant to applicable legal regulations in force, the Bank must reach a legal reserve of no less than 35% of its paid capital. This reserve is established by transferring not less than 10% of its net profit on an annual basis.

At Annual Mandatory Shareholders' Meetings held on March 30, 2017 and March 31, 2016, approved a legal reserve equivalent to the 10% of net profit for 2016 (S/ 134 million) and for 2015 (S/ 137 million), respectively.

(c) Retained earnings

The Annual Mandatory Shareholders' Meetings held on March 30, 2017 and March 31, 2016, authorized the distribution of dividends for approximately S/ 723 and S/ 617 million, respectively.

Dividends from 2016 to be distributed in 2017 are subject to an income tax withholding at 6.8%. Dividends from profit from 2017 and subsequent periods are subject to income tax withholding at 5%.

The Annual Mandatory Shareholders' Meetings held on March 30, 2017 and March 31, 2016, authorized the capitalization of retained earnings for S/ 482 and S/ 617 million, respectively.

(d) Adjustments to equity

Adjustments to equity include S/ 0.5 million of unrealized profit corresponding to the available-for-sale investment portfolio (S/ 3.2 million for unrealized losses as of December 31, 2016), S/ 2.2 million corresponding to unrealized profit of held-to-maturity investments (S/ 2.2 million as of December 31, 2016) and S/ 1.2 million for unrealized losses for the valuation of cash flow hedge derivatives (S/ 1.3 million for unrealized profit as of December 31, 2016).

12. REGULATORY CAPITAL AND LEGAL LIMITS

According to the General Law, the regulatory capital amount cannot be less than 10% of credit, market and operational risk average weighted assets which include contingent loans. As of June 30, 2017, the Bank and BBVA Consumer Finance EDPYME use the standard method for the calculation of the Regulatory Capital by credit, market and operational risk.

On an individual basis, as of June 30, 2017, the Regulatory Capital of the Bank and BBVA Consumer Finance EDPYME, determined in accordance with current legal standards, amounts to S/ 8,931 million (S/ 9,001 million as of December 31, 2016) and S/ 71 million (S/ 60 million as of December 31, 2016), respectively. This amount is used to calculate certain limits and restrictions applicable to all financial entities in Peru. In Grupo Continental's Management opinion, such limits and restrictions have been fully met.

Assets and contingent loans weighted by credit, market and operational risks of the Bank and Edpyme, in accordance with current legal standards, amount to S/ 59,242 million (S/ 63,146 million as of December 31, 2016) and S/ 458 million (S/ 369 million, as of December 31, 2016), respectively.

As of June 30, 2017, the capital adequacy ratio by credit, market and operational risk of the Bank and BBVA Consumer Finance EDPYME was 15.08% and 15.49% respectively (14.25% and 16.28% as of December 31, 2016).

13. BASIC AND DILUTED EARNINGS PER SHARE

The basic and diluted earnings per share were as follows:

	Quantity of shares (in million)	
	2017	2016
In circulation at the beginning of the period	4,401,368	3,784,146
Capitalization of profits	481,751	1,098,973
In circulation at the end of the period	4,883,119	4,883,119
Net profit for the period (in thousands of Soles)	645,259	643,613
Basic and diluted earnings per share (in Soles)	0.132	0.132

14. TRANSACTIONS WITH RELATED PARTIES

As of June 30, 2017 and December 31, 2016, Grupo Continental has granted loans, provided and requested banking services, correspondent relations, transactions involving financial derivatives booked at their face values, among others, with related companies, whose balances are shown below:

In thousands of S/	2017	2016
Assets:		
Cash and due from banks	31,357	13,460
Loans portfolio	475,613	447,758
Other assets	451,156	271,849
Liabilities:		
Deposits and obligations	844,659	1,162,259
Due to banks and financial obligations	57,651	62,221
Other liabilities	392,128	508,988
Contingent and memorandum accounts:		

Contingent 9,184,410 9,018,767
 Transactions of Grupo Continental with related companies have been carried out in the normal course of business and subject to the same conditions that would have been applied to third parties.

Transactions with related companies, included in the consolidated statement of income for the periods ended June 30, 2017 and June 30, 2016 consisted of the following:

In thousands of S/	2017	2016
Financial income	1,539	1,746
Financial expenses	(5,736)	(722)
Other income (expenses), net	(42,085)	(47,893)

Personnel Loans

As of June 30, 2017 and December 31, 2016, directors, executives and employees of the bank and BBVA Consumer Finance EDPYME, maintain transactions with the Bank within the provisions of the Peruvian General Law, which regulates and establishes certain limits on transactions with directors, executives and employees of banks in Peru. As of June 30, 2017 and December 31, 2016, direct loans to employees, directors, executives and key personnel amounted to S/ 399 and 406 million respectively.

Likewise, as of June 30, 2017 and 2016, salaries of key personnel and allowances to the Board of Directors amounted to S/ 6 million.

15. CONTINGENT AND MEMORANDA ACCOUNTS

a) Derivatives financial instruments

As of June 30, 2017 and December 31, 2016, the notional amount equivalent in thousands of soles and the fair value of derivative financial instruments were as follows:

In thousands of S/

		2017			
		Underlying	Nominal	Asset	Liability
Trading derivatives					
Currency forward			9,542,278	106,743	83,804
Fx options and equity options			1,420,889	20,687	20,701
Interest rate options			48,473	1	1
Cross currency swap			6,000,557	444,320	345,660
Interest rate swap			5,950,247	36,524	55,089
Provision for country risk			-	(4,393)	-
Total trading derivatives			22,962,444	603,882	505,255
Hedging derivatives					
At fair value (i)			5,840,576	1,222	122,435
Cross currency swap	Bond issuance		245,416	-	51,843
Interest rate swap	Due to banks		1,301,200	-	17,028
Interest rate swap	Bond issuance		4,228,900	-	52,741
Forward exchange rate	Time Deposits		65,060	1,222	823
Cash flow (ii)			151,497	647	2,670
Interest rate swap	Due to banks		92,943	647	-
Cross currency swap	Due to banks		58,554	-	2,670
Total hedging derivatives			5,992,073	1,869	125,105
TOTAL			28,954,517	605,751	630,360

	2016			
	Underlying	Nominal	Asset	Liability
Trading derivatives				
Currency forward		9,567,860	195,042	108,524
Fx options and others options		1,158,665	18,881	18,881
Interest rate options		137,123	24	240
Cross currency swap		6,919,265	606,733	541,325
Interest rate swap		5,842,547	23,349	41,618
Provision for country risk		-	(5,314)	-
Total trading derivatives		23,625,460	838,715	710,588
Hedging derivatives				
At fair value (i)		7,653,167	1,910	161,476
Cross currency swap	Bond issuance	253,187	-	65,253
Interest rate swap	Due to banks	3,037,180	1,910	21,168
Interest rate swap	Bond issuance	4,362,800	-	75,055
Cash flow (ii)		266,562	1,679	215
Interest rate swap	Due to banks	105,474	783	-
Cross currency swap	Due to banks	161,088	896	215
Total hedging derivatives		7,919,729	3,589	161,691
TOTAL		31,545,189	842,304	872,279

Hedging derivative at fair value

- (i) As of June 30, 2017, the Bank has entered into a cross currency swap (CCS) to hedge the fair value of bonds issued for a nominal value equivalent to S/ 245 million. Through this CCS, the Bank changes its issuance in local currency at a fixed rate into U.S. dollars at a variable rate. As of June 30, 2017, the fair value of CCS amounts to a profit of S/ 6 million, which is included in "Profit/loss from financial operations" in the consolidated statement of income (as of December 31, 2016, the fair value amounted to a gain of S/ 12 million).

As of June 30, 2017, the Bank has contracted interest-rate swaps (IRS) for a nominal amount equivalent to S/ 5,530 million to hedge interest-rates for debts received and issuance of bonds. Through this IRS, the Bank receives a fixed interest rate in U.S. dollars and pays at a variable interest rate in the same currency. As of June 30, 2017, total variation in the fair value of IRS amounts to a profit of S/ 25 million, which is included in "Profit/loss from financial operations" in the consolidated statement of income (as of December 31, 2016, the variation in fair value amounted to a loss of S/ 54 million).

As of June 30, 2017, the Bank has contracted forward exchange rate for a nominal amount equivalent to S/ 65 million for the fair value hedge from time deposits portfolio in local currency. Through the forward, the Bank changes its deposits in local currency into US dollars at a fixed rate.

As of June 30, 2017, the total variation in the fair value of forwards exchange rate amounts to a gain of S/ 1 million, is included in "Profit/loss from financial operations" in the consolidated statement of income.

Cash flows hedging derivative

- (ii) As of June 30, 2017, the Bank has contracted interest-rate swaps (IRS) for a nominal amount equivalent to S/ 93 million to hedge interest rates of debts received. Through the IRS, the Bank obtains a variable interest rate in U.S. dollars and pays at a fixed interest rate in the same currency. As of June 30, 2017, the variation in the fair value of IRS amounts to a profit of S/ 0.5 million and is recorded in equity accounts (profit of S/ 0.6 million as of December 31, 2016).

As of June 30, 2017, the Bank has contracted a CCS to hedge the fair value of debts received for a nominal value equivalent to S/ 59 million. Through this CCS, the Bank translates its debts in U.S. dollars at a variable rate into local currency at a fixed rate. As of June 30, 2017, the fair value of CCS amounts to a loss of S/ 1.7 million and is recorded in equity accounts (profits of S/ 0.8 million as of December 31, 2016).

b) Other Creditors

In June 2012, Continental DPR Finance Company placed an issue via a private notes issue (debt instruments) for US\$ 79 million. This note issue matures on June 15, 2022. All notes have quarterly coupons. The series A and B considered two-year grace period, while the series C and D consider three years. Accrue interest at Libor plus a spread, except for part of the 10-year issue for US\$ 50 million, which was issued at a fixed rate (Note 10).

The liabilities issued by Continental DPR Finance Company are secured with the Bank's selling to Continental DPR Finance Company of the present and future flows generated by electronic payment orders of customers (Diversified Payments Rights - DPRs), sent to the Bank using the SWIFT (Society for Worldwide Interbank Financial Telecommunications Network) system.

These debts include standard clauses regarding the compliance with financial ratios of the Bank and other specific conditions related to flows granted, over which, Grupo Continental Management believes that, as of June 30, 2017, these clauses are being fully complied with.

16. INTEREST INCOME

Interest income for the six months ended June 30, 2017, compared to the same period on 2016 decreased by 1%, mainly due to the net effect of decreased interests from loans portfolio and hedging operations, and the increase of available for sale investments, investment at fair value through profit or loss and cash and due from banks interest.

17. INTEREST EXPENSE

Interest expense for the six months ended June 30, 2017, compared to the same period on 2016 decreased by 4%, mainly due to the net effect of increased of interest in obligations to the public and decrease of interest in due to banks and financial obligations, interest for interbank funds and interest for accounts payable related to the currency repurchased agreement transactions with BCRP.

18. ADMINISTRATION EXPENSES

During the six months ended June 30, 2017, compared to the same period on 2016, administrative expenses decreased by 8%. This category includes personnel expenses, expenses for services received from third parties and taxes and contributions.

19. FEES (NET)

During the six months ended June 30, 2017, compared to the same period on 2016, income and expenses from financial services decreased by 9%. This category includes commissions for contingent transaction operations and other income and expenses.

20. SUBSEQUENT EVENTS

We are not aware of any subsequent events that may have occurred from the closing date of the financial statements to the reporting date that may have a significant impact on those financial statements.