

# BBVA BANCO CONTINENTAL AND SUBSIDIARIES

## Consolidated Financial Statements

September 30, 2018 and December 31, 2017

(TRANSLATION OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN SPANISH)

**BBVA BANCO CONTINENTAL AND SUBSIDIARIES**

# Consolidated Financial Statements

September 30, 2018 and December 31, 2017

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(Translation of Financial Statements originally issued in Spanish)

**BBVA BANCO CONTINENTAL AND SUBSIDIARIES**

Consolidated Statement of Financial Position

As of September 30, 2018 and December 31, 2017

<i>In thousands of soles</i>	<i>Note</i>	<b>2018</b>	<b>2017</b>	<i>In thousands of soles</i>	<i>Note</i>	<b>2018</b>	<b>2017</b>
<b>Assets</b>				<b>Liabilities and equity</b>			
Cash and due from banks	4	9,789,160	15,326,501	Obligations to the public and deposits in financial system entities	11	51,085,546	49,326,064
Interbank funds		-	-	Interbank funds		757,377	911,486
Investments at fair value through profit or loss available-for-sale and held-to-maturity investments	5	8,624,949	7,709,116	Borrowings and financial obligations	12	8,614,366	11,108,707
Loan portfolio, net	6	51,856,471	49,996,441	Trading derivatives	7	371,305	383,174
Trading derivatives	7	484,916	499,288	Hedging derivatives	7	254,007	142,782
Hedging derivatives	7	4,102	1,191	Provisions and other liabilities	13	4,752,618	7,079,315
Asset seized and recovered through legal actions, net		252,372	207,976	<b>Total liabilities</b>		<b>65,835,219</b>	<b>68,951,528</b>
Investments in associates	8	12,166	12,226	<b>Equity</b>	14		
Property, furniture and equipment, net	9	886,731	923,324	Capital Stock		5,368,602	4,883,119
Deferred tax		367,877	370,701	Additional capital		-	-
Other assets, net	10	1,469,156	1,558,746	Reserves		1,522,035	1,383,079
Goodwill		5,289	5,289	Adjustments to equity		1,199	6,387
				Retained earnings		1,026,134	1,386,686
<b>Total assets</b>		<b>73,753,189</b>	<b>76,610,799</b>	<b>Total equity</b>		<b>7,917,970</b>	<b>7,659,271</b>
Risks and contingent commitments		25,493,292	24,648,941	<b>Total liabilities and equity</b>		<b>73,753,189</b>	<b>76,610,799</b>
				Contingent risks and commitments		25,493,292	24,648,941

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

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

<i>In thousands of soles</i>	<b>Note</b>	<b>2018</b>	<b>2017</b>
Interest income	15	3,306,358	3,300,466
Interest expenses	16	(990,537)	(1,140,480)
<b>Gross financial income</b>		<b>2,315,821</b>	<b>2,159,986</b>
Provisions for direct loans, net of recoveries		(586,895)	(520,764)
<b>Net financial income</b>		<b>1,728,926</b>	<b>1,639,222</b>
Income from finance services, net	17	594,857	584,164
<b>Financial income net of revenue and expenses for finance services</b>		<b>2,323,783</b>	<b>2,223,386</b>
Profit or loss from financial operations		425,552	415,714
<b>Operating margin</b>		<b>2,749,335</b>	<b>2,639,100</b>
Administrative expenses	18	(1,157,050)	(1,111,224)
Depreciation and amortization		(111,986)	(88,420)
<b>Net operating margin</b>		<b>1,480,299</b>	<b>1,439,456</b>
Valuation of assets and provisions		(16,029)	(36,691)
<b>Operating profit</b>		<b>1,464,270</b>	<b>1,402,765</b>
Other expenses, net		(14,946)	(34,398)
<b>Profit before tax</b>		<b>1,449,324</b>	<b>1,368,367</b>
Income tax		(421,898)	(368,384)
<b>Net profit</b>		<b>1,027,426</b>	<b>999,983</b>
<b>Basic and diluted earnings per share in soles</b>	19	<b>0.191</b>	<b>0.186</b>
<b>Weighted average number of shares outstanding (in thousands of shares)</b>	19	<b>5,368,602</b>	<b>5,368,602</b>

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

*(Translation of Financial Statements originally issued in Spanish)*

**BBVA BANCO CONTINENTAL AND SUBSIDIARIES**

Consolidated Statement of Income and Other Comprehensive Income  
For the nine-month period ended September 30, 2018 and 2017

<i>In thousands of soles</i>	<b>2018</b>	<b>2017</b>
Net profit	1,027,426	999,983
Other comprehensive income:		
Available-for-sale investments	(8,511)	2,980
Cash flow hedges	9	(1,172)
Investments in other comprehensive income associates	20	(12)
Income tax related to the components of other comprehensive income	3,294	1,288
<b>Other comprehensive income for the period, net of income tax</b>	<b>(5,188)</b>	<b>3,084</b>
<b>Total comprehensive income for the period</b>	<b>1,022,238</b>	<b>1,003,067</b>

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

**BBVA BANCO CONTINENTAL AND SUBSIDIARIES**  
Consolidated Statement of Changes in Shareholders' Equity  
For the nine-month period ended September 30, 2018 and 2017

<i>In thousands of soles</i>	Number of shares in thousands (note 14.B)	Share Capital (note 14.B)	Reserves		Adjustments to equity (note 14.D)	Retained earnings (note 14.E)	Total equity
			Legal (note 14.C)	Voluntary			
Balance as of January 1, 2017	4,401,368	4,401,368	1,249,092	83	380	1,335,653	6,986,576
Net profit	-	-	-	-	-	999,983	999,983
Other comprehensive income:							
Net unrealized gain on available-for-sale investments	-	-	-	-	4,387	-	4,387
Net unrealized loss on cash flow hedging derivatives	-	-	-	-	(826)	-	(826)
Other comprehensive income from associates	-	-	-	-	(477)	-	(477)
<b>Total comprehensive income for the period</b>	-	-	-	-	<b>3,084</b>	<b>999,983</b>	<b>1,003,067</b>
Changes in equity (not included in comprehensive income):							
Dividends	-	-	-	-	-	(722,502)	(722,502)
Capitalization of retained earnings	481,751	481,751	-	(83)	-	(481,668)	-
Transfers to reserves and other movements	-	-	133,987	-	-	(133,797)	190
<b>Balance as of September 30, 2017</b>	<b>4,883,119</b>	<b>4,883,119</b>	<b>1,383,079</b>	-	<b>3,464</b>	<b>997,669</b>	<b>7,267,331</b>
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	-	-	-	-	-	1,027,426	1,027,426
Net unrealized loss on available-for-sale investments	-	-	-	-	(3,202)	-	(3,202)
Net unrealized gain on cash flow hedging derivatives	-	-	-	-	7	-	7
Other comprehensive income from associates	-	-	-	-	(1,993)	-	(1,993)
<b>Total comprehensive income for the period</b>	-	-	-	-	<b>(5,188)</b>	<b>1,027,426</b>	<b>1,022,238</b>
Dividends	-	-	-	-	-	(762,901)	(762,901)
Capitalization of retained earnings and reserves	485,483	485,483	-	-	-	(485,483)	-
Transfers to reserves and other movements	-	-	138,956	-	-	(139,594)	(638)
<b>Balance as of September 30, 2018</b>	<b>5,368,602</b>	<b>5,368,602</b>	<b>1,522,035</b>	-	<b>1,199</b>	<b>1,026,134</b>	<b>7,917,970</b>

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

**BBVA BANCO CONTINENTAL AND SUBSIDIARIES**  
Consolidated Statements of Cash Flows  
For the nine-month period September 30, 2018 and 2017

<i>In thousands of soles</i>	<b>2018</b>	<b>2017</b>
Reconciliation of net profit with cash and cash equivalent from operating activities		
Net profit	1,027,426	999,983
<b>Adjustments</b>	<b>1,100,147</b>	<b>999,018</b>
Depreciation and amortization	111,985	92,137
Provisions	602,924	553,738
Other adjustments	385,238	353,143
<b>Net changes in assets and liabilities:</b>	<b>(3,093,179)</b>	<b>(2,237,290)</b>
<b>Net decrease (increase) in assets</b>	<b>814,527</b>	<b>(1,247,330)</b>
Loans	(2,116,410)	(334,369)
Investments at fair value through profit or loss	(1,137,579)	(2,275,824)
Available-for-sale investments	916,192	(1,095,539)
Other accounts receivable and others	3,152,324	2,458,402
<b>Net increase in liabilities</b>	<b>(3,907,706)</b>	<b>(989,960)</b>
Non-subordinated financial liabilities	(1,443,219)	1,367,502
Accounts payable and others	(2,464,487)	(2,357,462)
<b>Profit or loss for the period after net changes in assets, liabilities and adjustments</b>	<b>(965,606)</b>	<b>(238,289)</b>
Current tax	(86,068)	(367,800)
<b>Net cash flows from operating activities</b>	<b>(1,051,674)</b>	<b>(606,089)</b>
<b>Cash flows from investing activities</b>		
Sale of intangible assets and property, furniture and equipment	(114,208)	(133,289)
Other inflows related to investing activities	27,452	38,715
<b>Net cash flows used in investing activities</b>	<b>(86,756)</b>	<b>(94,574)</b>
<b>Cash flows from financing activities</b>		
Redemption of subordinated financial liabilities	-	(65,300)
Others inflows related to financing activities	202,425	-
Others outflows related to financing activities	(160,000)	(200,000)
Dividends paid	(761,784)	(721,962)
<b>Net cash flows used in financing activities</b>	<b>(719,359)</b>	<b>(987,262)</b>
<b>Net decrease of cash and cash equivalent before the effect of exchange rate fluctuations</b>	<b>(1,857,789)</b>	<b>(1,687,925)</b>
Effect of exchange rate fluctuations on cash and cash equivalents	230,756	(481,849)
<b>Net decrease in cash and cash equivalents</b>	<b>(1,627,033)</b>	<b>(2,169,774)</b>
Cash and cash equivalents at beginning of period	13,779,136	14,652,430
<b>Cash and cash equivalents at end of period</b>	<b>12,152,103</b>	<b>12,482,656</b>
Security funds	876,450	5,299,417
Interbank funds	-	(245,047)
Investments with a maturity of less than 90 days	(3,239,393)	(1,173,226)
<b>Cash and due from banks as per the statement of consolidated financial position</b>	<b>9,789,160</b>	<b>16,363,800</b>

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

## **BBVA BANCO CONTINENTAL AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements  
September 30, 2018 and December 31, 2017

### **1. Reporting Entity**

#### **A. Background**

BBVA Banco Continental S.A. (hereinafter 'the Bank') is a subsidiary of Newco Perú S.A.C. (entity incorporated in Peru), which holds 46.12% of its share capital as of September 30, 2018 and December 31, 2017. Banco Bilbao Vizcaya Argentaria S.A. (hereinafter 'BBVA S.A.') holds 100% of the shares of Newco Perú S.A.C.

#### **B. Economic activity**

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

The Bank's operations mainly comprise financial intermediation, which consists of full-functional banking activities that are regulated by SBS through the Ley General del Sistema Financiero y del Sistema de Seguros y Orgánica de la SBS, Law 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 September 30, 2018 and December 31, 2017, the Bank develops activities through a national network of 332 offices. As of September 30, 2018 and December 31, 2017, the total number of employees of the Bank is 6,029 and 5,666, respectively.

The Bank has shareholding with 100% voting rights over its following Subsidiaries: Continental Bolsa Sociedad Agente de Bolsa S.A., BBVA Asset Management Continental S.A. Sociedad Administradora de Fondos, Continental Sociedad Titulizadora S.A., Inmuebles y Recuperaciones Continental S.A., BBVA Consumer Finance EDPYME, Forum Comercializadora del Perú S.A., Forum Distribuidora del Perú S.A. Although the Bank does not have any equity interest in capital, nor the voting rights over Continental DPR Finance Company (DPR), given the characteristics of its corporate purpose and its relationship with the Bank, the accounting standards that regulate the Bank require that the financial statements of DPR be included on the consolidated basis with those of the Bank (all these companies shall be hereinafter referred to as 'Continental Group').

#### **C. Approval of the consolidated financial statements**

The consolidated financial statements as of September 30, 2018 were approved by the Bank's management.



## BBVA BANCO CONTINENTAL AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
September 30, 2018 and December 31, 2017

### 2. Basis of Preparation of the Consolidated Financial Statements

#### A. Statement of compliance

The significant accounting policies and practices as of September 30, 2018, remained unchanged with respect to those in the audit report issued on February 22, 2018 by Caipo y Asociados S. Civil de R.L.; member firm of the network of independent representatives of KPMG International Cooperative, for the year ended December 31, 2017. The consolidated financial statements as of December 31, 2016, were audited by Beltran, Gris y Asociados S. Civil de R.L.; representatives of Deloitte.

#### B. Basis of consolidation

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

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

The following are the main balances of Continental Group as of September 30, 2018 and as of December 31, 2017:

<i>In million of soles</i>	Assets		Liabilities		Equity	
	2018	2017	2018	2017	2018	2017
<b>Entity</b>						
BBVA Banco Continental	73,715	76,591	65,790	68,931	7,925	7,660
Continental Bolsa Sociedad Agente de Bolsa S.A.	41	43	22	22	19	21
BBVA Asset Management Continental S.A. SAF	71	58	15	2	56	56
Continental Sociedad Titulizadora S.A.	4	3	1	-	3	3
Inmuebles y Recuperaciones Continental S.A.	160	157	5	4	155	153
Continental DPR Finance Company	210	245	210	245	-	-
BBVA Consumer Finance Edpyme	467	483	394	419	73	64
Forum Comercializadora S.A.	2	2	-	-	2	2
Forum Distribuidora S.A.	166	99	147	81	19	18

### 3. Accounting Principles and Practices

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

### 4. Cash and due from banks

As of September 30, 2018, cash and due from banks include approximately US\$ 838 and S/ 1,696 million (US\$ 2,087 and S/ 1,875 million as of December 31, 2017), which correspond to the required reserve that Peruvian entities must maintain for deposits and obligations to third parties. These funds are deposited in the entities vaults or in Banco Central de Reserva del Perú (hereinafter 'BCRP').

## BBVA BANCO CONTINENTAL AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
September 30, 2018 and December 31, 2017

As of September 30, 2018 the funds required for the reserve in local and foreign currency are affected by an implicit rate in local currency of 5% and in foreign currency of 35%, over total obligations subject to required reserve (TOSE) in local and foreign currency as required by BCRP (as of December 31, 2017, the applicable implicit rates in local and in foreign currencies were 5% and 44.33%, 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 September 30, 2018 cash and due from banks includes guarantee funds that support commitments of repurchase agreement of foreign currency with BCRP for US\$ 171 million (US\$ 1,262 million as of December 31, 2017).

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

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

<i>In thousands of soles</i>	2018	2017
Investments at fair value through profit or loss:		
BCRP certificates of deposit (a)	5,000,493	3,720,682
Sovereign Bonds of the Republic of Peru (b)	290,550	363,445
Mutual funds (d)	45,531	114,868
	<b>5,336,574</b>	<b>4,198,995</b>
Available-for-sale investments:		
BCRP certificates of deposit (a)	1,597,798	2,662,108
Sovereign Bonds of the Republic of Peru (b) / (c)	1,156,181	699,896
American Treasury Bill (c)	327,571	-
Corporate bonds (c)	171,835	105,640
Shares in local companies (e)	33,980	41,656
Shares in foreign companies	1,010	821
	<b>3,288,375</b>	<b>3,510,121</b>
	<b>8,624,949</b>	<b>7,709,116</b>

- (a) BCRP certificates of deposit are securities freely negotiable with a maturity until August 2019 (March 2019, as of December 31, 2017); they are acquired through BCRP public bids and traded in the Peruvian secondary market, as of September 30, 2018, S/ 1,604 million are compromised in repurchase agreements (S/ 405 million as of December 31, 2017).

As of September 30, 2018, the annual interest in local currency generated by these certificates fluctuates between 2.38% and 2.74% (between 3.05% and 3.25% as of December 31, 2017). The annual interest in foreign currency was 1.60%.

- (b) Include global bonds in foreign currency and sovereign bonds in local currency issued by Peruvian Ministry of Economy and Finance and represent internal public debt instruments of the Republic of Peru. Of these bonds, as of September 30, 2018, S/ 459 million are compromised in repurchase agreements (S/ 310 million, as of December 31, 2017).

## BBVA BANCO CONTINENTAL AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
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As of September 30, 2018, these bonds accrue interest at annual rates ranging from 1.50% to 6.43% in local currency (between 1.16% and 6.10% as of December 31, 2017); they have maturities until February 2055 (February 2042, as of December 31, 2017). In foreign currency at an annual rate of 2.04%, they have maturities until March 2019.

As from November 2017, Sovereign Bonds of the Republic of Peru that the Banks had recorded in its held-to-maturity portfolio were reclassified as available-for-sale investments. Such bonds have a maturity date from October 2024 to January 2035. As of September 30, 2018, their carrying amount is S/ 491 million.

- (c) As of September 30, 2018, part of the sovereign bonds, corporate bonds and American treasury, in foreign currency has a cash flow hedge (note 7(ii)).
- (d) As of September 30, 2018 and December 31, 2017, the investment in mutual funds corresponds to the participation quotes held by BBVA Asset Management, Continental S.A., Continental Sociedad Titulizadora S.A., Inmuebles y Recuperaciones Continental S.A.; in different mutual funds, BBVA Asset Management manages.
- (e) As of September 30, 2018 and December 31, 2017, it mainly includes shares of Bolsa de Valores de Lima (BVL) for S/ 33 million and S/ 41 million, respectively.

## 6. Loan Portfolio, Net

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

<i>In thousands of soles</i>	<b>2018</b>		<b>2017</b>	
Direct loans:				
Loans	18,586,495	38%	18,140,414	38%
Mortgage loans	12,146,389	24%	11,637,944	24%
Foreign trade	6,477,539	12%	6,130,095	12%
Consumer loans	5,818,719	9%	5,065,356	9%
Finance lease	4,207,452	9%	4,679,738	9%
Discounts	1,081,935	3%	1,111,484	3%
Others	3,153,208	5%	2,776,049	5%
	<b>51,471,737</b>	<b>100%</b>	<b>49,541,080</b>	<b>100%</b>
Pastdue and under legal collection loans	1,665,346	2%	1,400,138	2%
Refinanced and restructured loans	1,045,249	2%	1,111,473	2%
	<b>54,182,332</b>	<b>104%</b>	<b>52,052,691</b>	<b>104%</b>
Plus (less):				
Accrued interest	375,865	1%	362,993	1%
Non-accrued interest	(56,132)	-	(57,774)	-
Allowance for loan losses	(2,645,594)	(5%)	(2,361,469)	(5%)
	<b>51,856,471</b>	<b>100%</b>	<b>49,996,441</b>	<b>100%</b>
Contingent loans	<b>14,727,507</b>		<b>15,577,486</b>	

## BBVA BANCO CONTINENTAL AND SUBSIDIARIES

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Loans secured by guarantees received from customers, mainly composed by mortgages, deposits, letters of guarantee, guarantees, warrants and financial lease operations, amount to S/ 37,880 million as of September 30, 2018 (S/ 38,736 million as of December 31, 2017).

As of September 30, 2018, part of the mortgage loan portfolio guarantees a debt with Fondo MIVIVIENDA – Programa MIHOGAR for up to S/ 466 million (S/ 500 million as of December 31, 2017).

On March 2018 and July 2018, the Bank acquired credit portfolio from BBVA Consumer Finance EDPYME, mainly vehicle loans with a value of S/ 84 million and US\$ 3 million; and S/ 49 million and US\$ 1 million, respectively.

As of September 30, 2018 and December 31, 2017, the annual average effective interest rate of the main products was as follows:

	2018		2017	
	Local currency	Foreign currency	Local currency	Foreign currency
Active operations				
Loans and discounts	7.59	5.61	7.77	5.67
Mortgage loans	7.85	6.93	8.29	7.31
Consumer loans	25.31	29.45	25.27	28.31

As of September 30, 2018 and December 31, 2017 the outstanding balance of the direct credit portfolio segmented by type of client in accordance with Resolution SBS N° 11356-2008, is as follows:

<i>In thousands of soles</i>	2018		2017	
Mortgage loans	12,588,209	23%	12,028,957	23%
Medium business loans	11,608,163	21%	11,551,131	22%
Corporate	11,308,424	21%	10,956,495	21%
Large business loans	9,314,944	18%	8,927,043	17%
Consumer loans	6,015,465	11%	5,280,969	10%
Small business loans	1,395,457	3%	1,257,689	3%
Public Sector Entities	987,997	2%	925,380	2%
Financial System Entities	610,326	1%	659,919	1%
Stock brokers	188,251	-	262,297	1%
Micro-business loans banks	88,096	-	95,910	-
Multilateral development	77,000	-	106,901	-
	<b>54,182,332</b>	<b>100%</b>	<b>52,052,691</b>	<b>100%</b>

As of September 30, 2018 and December 31, 2017, the balances of the loan portfolio are distributed in economic sectors as follows:

## BBVA BANCO CONTINENTAL AND SUBSIDIARIES

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<i>In thousands of soles</i>	<b>2018</b>		<b>2017</b>	
Mortgage and consumer loans	18,603,674	34%	17,309,926	33%
Commerce	9,360,130	17%	9,086,584	18%
Manufacture	9,329,535	17%	8,951,081	18%
Real estate, business and rental	3,131,905	6%	3,017,877	6%
Transportation, storage and communications	2,754,242	5%	2,574,841	5%
Mining	2,032,214	4%	1,740,273	3%
Agriculture and Livestock	1,526,893	3%	1,570,296	2%
Financial intermediation	1,003,740	2%	1,041,749	2%
Building	993,300	2%	1,107,513	2%
Electricity, Gas and Water	952,272	2%	1,290,543	3%
Others	4,494,427	8%	4,362,008	8%
	<b>54,182,332</b>	<b>100%</b>	<b>52,052,691</b>	<b>100%</b>

As of September 30, 2018 and 2017, the composition of the provision for doubtful of direct loans, net as shown in the consolidated income statement is as follows:

<i>In thousands of soles</i>	<b>2018</b>	<b>2017</b>
Provisions	1,390,433	1,242,181
Recovery of provisions	(803,483)	(721,405)
Income from portfolio recovery	(55)	(12)
<b>Provisions for direct loans, net of recoveries</b>	<b>(586,895)</b>	<b>(520,764)</b>

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 September 30, 2018, the general provision for doubtful loans includes general voluntary and procyclical provisions of S/ 580 million (S/ 585 million as of December 31, 2017).

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

During 2018, the Bank sold a portfolio of S/ 183 million (S/ 298 million during 2017). The selling value amounted to S/ 20 million (S/ 28 million during 2017) and is presented in 'Profit or loss from financial operations' of the consolidated income statement.

## 7. Trading and Hedging Derivatives

As of September 30, 2018 and December 31, 2017, Continental Group holds agreements of foreign currency forwards, cross currency swaps (CCS), interest rate swaps (IRS) and options. The following table shows the fair value of these derivative financial instruments as accounts receivable (assets) or accounts payable (liabilities). The face values presented correspond to the underlying assets of derivative instruments, on which changes at fair value are measured.

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<i>In thousands of soles</i>	<b>Underlying</b>	<b>Face</b>	<b>Assets</b>	<b>Liabilities</b>
<b>2018</b>				
<b>Trading derivatives</b>				
Currency forwards		12,364,606	49,012	34,520
Share, currency and other options		1,344,229	15,897	15,897
Cross-currency swaps		4,938,290	297,687	240,039
Interest rate swaps		5,759,849	126,281	80,849
Provision for country risk		-	(3,961)	-
		<b>24,406,974</b>	<b>484,916</b>	<b>371,305</b>
<b>Hedging derivatives</b>				
<b>At fair value (i)</b>				
Currency swaps	Bond issuance	248,962	-	51,126
Interest rate swaps	Borrowings	1,278,750	-	46,807
Interest rate swaps	Bond issuance	2,640,000	-	153,677
<b>Cash flows (ii)</b>				
Interest rate swaps	Borrowings	70,714	1,980	-
Currency swaps	Sovereign Bond	115,500	-	1,491
Currency swaps	Corporate Bond	33,000	-	859
Currency forwards	Corporate Bond	14,885	-	47
Currency forwards	American Treasury Bill	332,747	2,122	-
		<b>4,734,558</b>	<b>4,102</b>	<b>254,007</b>
		<b>29,141,532</b>	<b>489,018</b>	<b>625,312</b>
<b>2017</b>				
<b>Trading derivatives</b>				
Currency forwards		9,473,514	76,329	65,963
Share, currency and other options		1,265,617	22,537	22,537
Currency swaps		5,262,992	361,133	267,410
Interest rate swaps		5,781,595	44,062	27,264
Provision for country risk		-	(4,773)	-
		<b>21,783,718</b>	<b>499,288</b>	<b>383,174</b>
<b>Hedging derivatives</b>				
<b>At fair value (i)</b>				
Currency swaps	Bond issuance	244,511	-	45,544
Interest rate swaps	Borrowings	1,280,195	-	25,868
Interest rate swaps	Bond issuance	4,213,300	-	71,370
<b>Cash flows (ii)</b>				
Interest rate swaps	Borrowings	83,340	1,191	-
		<b>5,821,346</b>	<b>1,191</b>	<b>142,782</b>
		<b>27,605,064</b>	<b>500,479</b>	<b>525,956</b>

**Hedging derivatives at fair value**

- (i) As of September 30, 2018, the Bank has contracted a currency swap for the fair value hedging of bonds issued for a face value equivalent to S/ 249 million (S/ 245 million as of December 31, 2017). Through a cross currency swap (CCS), the Bank converts its issuance in fixed-rate local

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currency into floating-rate U.S. dollars. In 2018, the variability in the fair value of the CCS resulted in a loss of S/ 1 million, which is included in 'Profit or loss from financial operations' of the consolidated income statement (S/ 11 million profit as of December 31, 2017).

As of September 30, 2018, the Bank has contracted interest rate swaps (IRS) for a face value equivalent to S/ 3,919 million in order to hedge debts and issuance. Through the IRS, the Bank receives a fixed rate in U.S. dollars and pays a floating rate in the same currency. In 2018, the total variability in the fair value of IRS resulted in a loss of S/ 94 million, included in 'Profit or loss from financial operations' of the consolidated income statement (gain of S/ 0.7 million in 2017).

### Cash flow hedging derivatives

- (ii) As of September 30, 2018, the Bank has contracted "interest rate swaps - IRS" for a nominal value equivalent to S/ 71 million for the coverage of debts (S/ 83 million as of December 31, 2017). The Bank receives a variable interest in US dollars and pays a fixed interest in the same currency. As of September 30, 2018, the change in the fair value of the IRS amounts to S/ 1.4 million gain, which is recorded in equity accounts (gain of S/ 0.9 million as of December 31, 2017).

As of September 30, 2018, the Bank has contracted a "currency swap" for a nominal value of S/ 149 million for the hedging of bonds recorded as available for sale investment (US\$ 35 million of a sovereign bond and US\$ 10 million of a corporate bond). Through a "cross currency swap (CCS)" the Bank receives a fixed interest in soles and pays a fixed interest in US dollars. As of September 30, 2018, the variation in the fair value of the CCS amounts to 1.7 million loss, which is recorded in equity accounts.

As of September 30, 2018, the Bank has contracted a "currency forwards" for a nominal value of US\$ 348 million for the hedging of bonds recorded as available for sale investment (US\$ 4.4 million of a corporate bond and US\$ 100 million of American Treasury Bill). Through a "currency forward" the Bank receives a fixed interest in soles and pays a fixed interest in US dollars. As of September 30, 2018, the variation in the fair value of the currency forward amounts to 1.2 million gain, which is recorded in equity accounts.

## 8. Investments in Associates

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

<i>In thousands of soles</i>	2018	2017
Compañía Peruana de Medios de Pago S.A.C. (a)	8,279	8,281
TFP S.A.C. (b)	3,887	3,945
	<b>12,166</b>	<b>12,226</b>

- (a) As of September 30, 2018 and December 31, 2017, Continental Group, through the Bank, holds a 20.96% stake in the share capital of Compañía Peruana de Medios de Pago S.A.C. (Visanet Perú).
- (b) As of September 30, 2018 and December 31, 2017, Continental Group, through the Bank, holds a 24.30% stake in the share capital of TFP S.A.C.

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**9. Property, Furniture, and Equipment, Net**

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

<i>In thousands of soles</i>	Land	Buildings and facilities	Furniture and equipment	Vehicles	Premises and improvements in leased property	Work-in-progress	Units in transit and replacing units	Total
<b>Cost</b>								
Balance as of January 1, 2017	120,643	810,967	577,074	8,499	241,727	20,879	300	1,780,089
Additions	-	9,126	40,542	1,127	5,206	85,375	1,256	142,632
Adjustments and other	(158)	21,833	7,113	(1,045)	5,358	(37,768)	(1,301)	(5,968)
<b>As of December 31, 2017</b>	<b>120,485</b>	<b>841,926</b>	<b>624,729</b>	<b>8,581</b>	<b>252,291</b>	<b>68,486</b>	<b>255</b>	<b>1,916,753</b>
Additions	-	4,745	31,680	664	2,566	15,375	503	55,533
Adjustments and other	(34)	5,358	3,714	(680)	7,147	(21,453)	-	(5,948)
<b>As of September 30, 2018</b>	<b>120,451</b>	<b>852,029</b>	<b>660,123</b>	<b>8,565</b>	<b>262,004</b>	<b>62,408</b>	<b>758</b>	<b>1,966,338</b>
<b>Depreciation</b>								
Balance as of January 1, 2017	-	454,005	311,894	6,491	114,038	-	-	886,428
Additions	-	35,907	55,944	809	23,261	-	-	115,921
Adjustments and other	-	5,037	(7,433)	(1,045)	(5,479)	-	-	(8,920)
<b>As of December 31, 2017</b>	<b>-</b>	<b>494,949</b>	<b>360,405</b>	<b>6,255</b>	<b>131,820</b>	<b>-</b>	<b>-</b>	<b>993,429</b>
Additions	-	27,928	45,859	586	17,654	-	-	92,027
Adjustments and other	-	(55)	(5,094)	(680)	(20)	-	-	(5,849)
<b>As of September 30, 2018</b>	<b>-</b>	<b>522,822</b>	<b>401,170</b>	<b>6,161</b>	<b>149,454</b>	<b>-</b>	<b>-</b>	<b>1,079,607</b>
<b>Net cost</b>								
<b>Balance as of September 30, 2018</b>	<b>120,451</b>	<b>329,207</b>	<b>258,953</b>	<b>2,404</b>	<b>112,550</b>	<b>62,408</b>	<b>758</b>	<b>886,731</b>
<b>Balance as of December 31, 2017</b>	<b>120,485</b>	<b>346,977</b>	<b>264,324</b>	<b>2,326</b>	<b>120,471</b>	<b>68,486</b>	<b>255</b>	<b>923,324</b>

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



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**10. Other Assets, Net**

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

<i>In thousands of soles</i>	<b>2018</b>	<b>2017</b>
Transactions in progress (a)	974,593	850,177
Intangible assets, net of amortizations for S/ 36 million (S/ 20 million as of December 31, 2017)	274,755	233,388
Deferred charges (b)	128,018	97,206
Other accounts receivable	50,231	52,753
Tax credit (VAT) and other	19,378	18,056
Tax credit, net of income tax	3,162	289,054
Accounts receivable from the sale of goods, services and trust	409	325
Other	18,610	17,787
	<b>1,469,156</b>	<b>1,558,746</b>

- (a) Transactions in progress are transactions carried out during the last days of the month and are reclassified in the following month to their definitive accounts in the consolidated statement of financial position. These transactions do not affect the profit or loss of Continental Group. As of September 30, 2018 and December 31, 2017; they include S/ 927 million and S/ 803 million related to Treasury transactions, respectively.
- (b) As of September 30, 2018 and December 31, 2017, deferred charges include mainly prepaid insurance and deferred loan origination fees, related to fees paid to external sales force.

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

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

<i>In thousands of soles</i>	<b>2018</b>	<b>2017</b>
Obligations to the public:		
Time deposits	16,963,248	16,574,653
Demand deposits	16,800,282	16,122,804
Savings deposits	15,028,895	14,625,612
Other obligations	104,901	78,707
	<b>48,897,326</b>	<b>47,401,776</b>
Deposits of financial system entities:		
Time deposits	1,244,621	1,489,919
Demand deposits	699,385	370,175
Savings deposits	244,214	64,194
	<b>2,188,220</b>	<b>1,924,288</b>
	<b>51,085,546</b>	<b>49,326,064</b>

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 September 30, 2018 and December 31, 2017 fluctuated as follows:

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

**12. Borrowings and Financial Obligations**

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

<i>In thousands of soles</i>	2018	2017
Borrowings and financial obligations:		
Foreign financial entities (a)	2,387,757	3,366,121
Programa MIVIVIENDA – Crédito MIHOGAR – Local Financial System (b)	536,341	542,843
International financial institutions (c)	14,143	125,010
Corporación Financiera de Desarrollo – COFIDE	10,315	12,112
Accrued interest payable	49,740	23,920
	<b>2,998,296</b>	<b>4,070,006</b>
Securities and bonds: (d)		
Corporate bonds	3,234,328	4,582,939
Subordinated bonds	1,505,332	1,514,978
Finance lease bonds	563,100	563,100
Notes (debt instruments)	190,433	226,202
Negotiable certificates of deposits	64,798	63,788
Accrued interest payable	58,079	87,694
	<b>5,616,070</b>	<b>7,038,701</b>
	<b>8,614,366</b>	<b>11,108,707</b>

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 September 30, 2018 and December 31, 2017, these clauses are being adequately complied with and do not represent any restriction on the Continental Group's operations.

- (a) As of September 30, 2018 and December 31, 2017 the Continental Group's borrowings with foreign financial entities accrued interest at an annual average rate ranging from 3.6% to 7.4%.

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<i>In thousands</i>	2018		2017		Maturity
	US\$	S/	US\$	S/	
Deutsche Bank (i)	337,615	1,114,130	341,962	1,108,301	November 2020
Credit Suisse (ii)	200,000	660,000	200,000	648,200	October 2040
Citibank NY	150,000	495,000	150,000	486,150	November 2018
Other	35,947	118,627	31,643	102,555	October 2018
Standard Chartered	-	-	140,000	453,740	
Wells Fargo Bank	-	-	55,000	178,255	
Toronto Dominion	-	-	40,000	129,640	
Bank of Nova Scotia	-	-	40,000	129,640	
Banco del Estado de Chile	-	-	40,000	129,640	
	<b>723,562</b>	<b>2,387,757</b>	<b>1,038,605</b>	<b>3,366,121</b>	
Accrued interest	14,696	48,496	7,021	22,755	
	<b>738,258</b>	<b>2,436,253</b>	<b>1,045,626</b>	<b>3,388,876</b>	

- (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 September 30, 2018 and December 31, 2017, have resulted in accumulated gains of S/ 38 million and S/ 22 million, respectively.
- (ii) It corresponds to a subordinated loan in foreign currency arranged at 7.38% annual interest rate. Pursuant to SBS Resolution 975-2016, this loan will continue to be considered as Tier 1 Regulatory Capital, considering the adequacy period established by the rules of subordinated debt, effective since February 2016.

The Bank entered into specific agreements on these loans, which contain clauses for compliance with financial ratios, which in management's opinion has been fully complied with.

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

- (b) As of September 30, 2018, these debts mainly include resources obtained for the social housing program MI VIVIENDA (MI HOGAR credit) for S/ 459 million in local currency and US\$ 2 million in foreign currency (S/ 492 million in local currency and US\$ 3 million in foreign currency as of December 31, 2017). This loan has different maturities until September 2036 and accrues interest at an annual effective rate of 7.75% in U.S. dollars and 6.25% in soles on the principal plus the Constant Adjustment index (hereinafter 'VAC', for its Spanish acronym).

As of September 30, 2018 and December 31, 2017, borrowings with Fondo MIVIVIENDA are secured with mortgage loan portfolio up to S/ 466 million and S/ 500 million, respectively (note 6). These borrowings consider specific arrangements about how these funds should be used, financial conditions that the borrower must meet, as well as other administrative matters.

- (c) Borrowings from international financial institutions accrue interest at international market rates ranging from LIBOR +1.35% to 6.38% as of September 30, 2018 and December 31, 2017 and are unsecured. This caption comprises the following:

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<i>In thousands</i>	2018		2017		Maturity
	US\$	S/	US\$	S/	
International Finance Corporation - IFC	4,286	14,143	8,571	27,780	December 2018
Andean Development Corporation - CAF	-	-	30,000	97,230	
	<b>4,286</b>	<b>14,143</b>	<b>38,751</b>	<b>125,010</b>	
Accrued interest payable	59	195	44	142	
	<b>4,345</b>	<b>14,338</b>	<b>38,795</b>	<b>125,152</b>	

(d) As of September 30, 2018 and December 31, 2017 the detail of securities and bonds is as follows:

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<i>In thousands of soles</i>	Authorized amount	Origin currency	Original placed amount	2018	2017	Maturity
<b>Corporate bonds:</b>						
7th issuance - single series	US\$ 100 million or S/ 315 million	PEN	60,000	-	60,000	May 2018
1st issuance, single series - Fourth program	US\$ 100 million	PEN	40,000	40,000	40,000	August 2020
2nd issuance, series A - Fourth program		PEN	80,000	80,000	80,000	August 2020
3rd issuance, series A - Fourth program		PEN	100,000	-	100,000	August 2018
2nd issuance, series A - Fifth program	US\$ 250 million	PEN	150,000	150,000	150,000	December 2026
5th issuance, single series - Fifth program (i)		PEN	200,000	198,048	198,655	April 2019
1st issuance, series A - Sixth program	US\$ 250 million	PEN	150,000	150,000	150,000	April 2019
1st issuance, series B - Sixth program		PEN	100,000	100,000	100,000	April 2019
2nd issuance, series A - Sixth program		PEN	150,000	150,000	150,000	June 2021
3rd issuance, series A - Sixth program		PEN	350,000	350,000	350,000	November 2020
1st issuance, series A - Seventh program	US\$ 1,000 million	PEN	132,425	132,425	-	June 2021
1st issuance, series B - Seventh program		PEN	69,435	69,435	-	June 2021
2nd issuance, series A - Seventh program		PEN	100,000	100,000	-	July 2023
2nd issuance, series B - Seventh program		PEN	73,465	73,821	-	August 2023
1st issuance, series C - Seventh program		PEN	70,000	70,000	-	September 2021
1st program, international issuance (ii)	US\$ 500 million	USD	500,000	1,570,599	1,586,647	August 2022
3rd program, international issuance	US\$ 500 million	USD	500,000	-	1,617,637	April 2018
				<b>3,234,328</b>	<b>4,582,939</b>	
<b>Subordinated bonds:</b>						
2nd issuance, series A - First program	US\$ 50 million or S/ 158.30 million	USD	20,000	65,720	64,527	May 2027
3rd issuance, series A - First program		PEN	55,000	78,184	76,879	June 2032
2nd issuance, series A - Second program	US\$ 100 million	PEN	50,000	69,610	68,448	November 2032
3rd issuance, series A - Second program		USD	20,000	66,000	64,820	February 2028
4th issuance, single series - second program		PEN	45,000	60,458	59,449	July 2023
5th issuance, single series - second program		PEN	50,000	66,308	65,202	September 2023
6th issuance, single series - second program		PEN	30,000	39,099	38,447	December 2033
1st issuance, single series - third program	US\$ 55 million	USD	45,000	148,500	145,845	October 2028
1st program, international issuance – single series (iii)	US\$ 300 million	USD	300,000	911,453	931,361	September 2029
				<b>1,505,332</b>	<b>1,514,978</b>	
<b>Notes (iv)</b>						
2nd issuance, notes 2012-C y 2012-D	US\$ 235 million	USD	235,000	190,433	226,202	June 2022
				<b>211,392</b>	<b>226,202</b>	
<b>Finance lease bonds:</b>						
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
				<b>563,100</b>	<b>563,100</b>	
<b>Negotiable certificates of deposits</b>				<b>64,798</b>	<b>63,788</b>	
<b>Interest payable on securities and bonds</b>				<b>58,079</b>	<b>87,694</b>	
				<b>5,616,070</b>	<b>7,038,701</b>	

As of September 30, 2018 and December 31, 2017, corporate bonds are unsecured, accrue interest at annual rates in local currency ranging from 4.4% to 7.5%, and in foreign currency fluctuated in 5%.

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- (i) The issuance of corporate bonds for S/ 200 million is hedged with a CCS which has resulted in accumulated earnings of S/ 2 million as September 30, 2018 (S/ 1 million as of December 31, 2017 of accumulated earnings) .
- (ii) In August 2012, the Bank carried out an international issuance of corporate bonds with a nominal amount of US\$ 500 million, at an annual fixed rate of 5%, maturing in August 2022; the principal will be fully paid off upon maturity. Likewise, such issuance has a fair value hedged through an IRS, which has resulted in accumulated earnings of S/ 79 million as of September 30, 2018 (S/ 34 million as of December 31, 2017 accumulated earnings).
- (iii) In September 2014, the Bank carried out an international issuance of subordinated bonds with a nominal amount of US\$ 300 million, at an annual fixed rate of 5.25%, maturing in September 2029. The principal will be fully paid off upon maturity. Likewise, such issuance has a fair value hedged through an IRS, which has resulted in accumulated earnings of S/ 73 million as of September 30, 2018 (S/ 35 million as of December 31, 2017 of accumulated earnings).
- (iv) The notes issued in June 2012, as of September 30, 2018 amounts of US\$ 59 million (US\$ 71 million as of December 31, 2017), it includes financing for US \$ 21 million, maturing in June 2022, which has a hedge of cash flow through a "interest rate swap- IRS ". Likewise, it includes financing for US \$ 38 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 September 30, 2018 and December 31, 2017, it has generated accumulated earnings of S / 4 million and S / 3 million, respectively.

These financings are guaranteed by the present and future flows generated by the electronic payments of clients (Diversified payments rights - DPR's). They also include compliance clauses related to the Bank's financial ratios, and other specific conditions related to the assigned flows, which the Management considers to have complied with as of September 30, 2018 and December 31, 2017.

The subordinated bonds have been issued in accordance with the provisions of the Banking Law, and accrue interest at annual rates that fluctuate between the VAC plus a "spread" and 5.4% for local currency, and between 5.3% and 6.5% for foreign currency to September 30, 2018 and December 31, 2017.

The financial lease bonds accrue interest at annual rates that fluctuate between 4.6% and 6.0% for local currency, as of September 30, 2018 and December 31, 2017, are backed by credit operations in the form of financial leasing that have been financed with such bonds.

As of September 30, 2018 and December 31, 2017, the Bank maintains accounts payable balance of S/ 9 million and S/ 12 million, respectively, corresponding to deferred issuance expenses.

### **13. Provisions and Other Liabilities**

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

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<i>In thousands of soles</i>	<b>2018</b>	<b>2017</b>
<b>Accounts payable</b>		
BCRP repurchase agreements/ Local banks (a)	2,480,197	4,827,739
Accounts payable to suppliers	290,066	276,678
Premiums to deposit insurance fund, contributions and obligations with tax collection entities	133,188	143,833
Dividends, profit sharing and remunerations payable	86,620	105,592
Other accounts payable	54,590	31,262
Interest payable	24,391	274,434
	<b>3,069,052</b>	<b>5,659,538</b>
<b>Other liabilities</b>		
Transactions in progress (b)	985,294	720,123
Deferred income and other	23,517	25,851
	<b>1,008,811</b>	<b>745,974</b>
<b>Provisions</b>		
Provision for lawsuits, litigations and other proceedings related to the activities (c)	215,300	214,459
Provision for contingent loans	213,210	232,563
Other provisions	246,245	226,781
	<b>674,755</b>	<b>673,803</b>
	<b>4,752,618</b>	<b>7,079,315</b>

- (a) It corresponds to the balances of repurchase agreement operations BCRP over foreign currency, certificate of deposit, and sovereign bonds from the Republic of Peru entered with BCRP and Local Banks.
- (b) Transactions in progress are mainly those carried out during the last days of the month and are reclassified in the following month to their definitive accounts of the consolidated statement of financial position. These transactions do not affect the consolidated income statement of the Bank. As of September 30, 2018, liability transactions in progress include mainly S/ 883 million related to Treasury operations (S/ 569 million as of December 31, 2017).
- (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 September 30, 2018 and December 31, 2017, 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 September 30, 2018 and December 31, 2017, the Bank and the EDPYME apply the standard method for calculating the amount of regulatory capital requirements for credit, market and operational risk.

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As of September 30, 2018, on an individual basis, the regulatory capital of the Bank and the EDPYME, calculated according to current regulatory requirements are S/ 9,567 million and S/ 69 million, respectively (as of December 31, 2017 S/ 8,947 million and S/ 69 million, respectively). The regulatory capital is used to calculate certain limits and restrictions applicable to all Banks and financial institutions in Peru, which Management considers to have fulfilled.

As of September 30, 2018, assets and contingent loans weighted by credit, market and operational risks of the Bank and the EDPYME, in accordance with current legal standards, amount to S/ 65,000 million and S/ 520 million, respectively (as of December 31, 2017 S/ 63,012 million y S/ 523 million, respectively).

As of September 30, 2018, the capital adequacy ratio by credit, market and operational risk of the Bank and EDPYME are 14.72% and 13.34%, respectively (14.20% and 13.28%, as of December 31, 2017, respectively).

### B. Share Capital

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

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

Shareholding structure of the Bank's share capital as of September 30, 2018 and December 31, 2017 is as follows:

Interest	2018		2017	
	Number of shareholders	Interest %	Number of shareholders	Interest %
Up to 1	7,699	3.37	7,719	3.31
From 1.01 to 5	3	4.39	3	4.45
From 45.01 to 100	2	92.24	2	92.24
	<b>7,704</b>	<b>100.00</b>	<b>7,724</b>	<b>100.00</b>

### 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 28, 2018 and March 30, 2017, an agreement was reached to make a legal reserve in an amount equivalent to 10% of profits of year 2017 (S/ 139 million) and 2016 (S/ 134 million), respectively.

### D. Adjustments to equity

As of September 30, 2018, adjustments to equity include S/ 3.2 million for unrealized gains on available-for-sale investment (S/ 8.4 million of unrealized gain as of December 31, 2017), S/ 0.9 million unrealized



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gains from the valuation of the cash flow hedge derivative (S/ 0.9 million unrealized gains as of December 31, 2017), S/ 0.1 million of earnings from other adjustments of associates (As of December 31, 2017, there is S/ 0.2 million corresponding to earnings from other adjustments of associates) and S/ 2.8 million for unrealized losses by actuarial calculation of liabilities for long-term benefits, for both periods.

### E. Retained earnings

At Obligatory General Shareholders' Meeting, held on March 28, 2018 and March 30, 2017, an agreement was reached to approve the capitalization of retained earnings in an amount of S/ 485 million and S/ 482 million, respectively. Also, at both shareholders' meetings, it was approved to distribute dividends in the amount of S/ 763 million and S/ 723 million, respectively.

### 15. Interest Income

Accumulated interest income has not significant variations as of the third quarter of 2018 in relation to 2017.

### 16. Interest Expenses

Accumulated interest expenses as of the third quarter of 2018 in relation to 2017 decreased by 13%, mainly due to the net effect of the increase of interest on obligations with foreign financial entities and the decrease of interest on obligations to the public and for accounts payable related to the transactions of repurchase agreements on foreign currency, certificate of deposits and sovereign bonds with the BCRP and financial system entities.

### 17. Income from Finance Services, Net

Accumulated income and expenses for various financial services as of the third quarter of 2018 in relation to 2017 increase by 2%. These items include income from contingent operations, credit and debit cards, transfers, collections, collections for third-party services, and other income and expenses.

### 18. Administrative Expenses

Accumulated administrative expenses as of the third quarter of 2018 in relation to 2017 increased by 4%. This item includes personnel expenses, expenses for services received from third parties and taxes and contributions.

### 19. Earnings per Share

The table below shows the computation of the weighted average of shares and earnings per shares as of September 30, 2018 and 2017:

<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
<b>2018</b>				
Balance as of January 1, 2018	4,883,119	4,883,119	270	4,883,119
Capitalization of year 2017 profit	485,483	485,483	270	485,483
<b>Balance as of September 30, 2018</b>	<b>5,368,602</b>	<b>5,368,602</b>		<b>5,368,602</b>

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**2017**

Balance as of January 1, 2017	4,401,368	4,401,368	270	4,401,368
Capitalization of year 2016 profit	481,751	481,751	270	481,751
Capitalization of year 2017 profit	-	485,483	270	485,483
<b>Balance as of September 30, 2017</b>	<b>4,883,119</b>	<b>5,368,602</b>		<b>5,368,602</b>

As of September 30, 2018 and 2017, earnings per share calculated based on the average number of shares amounted to S/ 0.1914 and S/ 0.1863, respectively.

**20. Related Party Transactions**

As of September 30, 2018 and December 31, 2017, the consolidated financial statements include transactions with the controlling party, which, as established by IAS 24, comprise the parent company, subsidiaries, related parties, associates, other related parties, and the Bank's directors and key management. All related party transactions are conducted in accordance with market conditions applicable to non-related third parties.

- (a) The balances of the consolidated statement of financial position arising from related parties as of September 30, 2018 and December 31, 2017 are as follows:

<i>In thousands of soles</i>	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Cash and due from banks	13,215	220,332
Loan portfolio	372,759	634,184
Other assets	355,081	454,153
<b>Liabilities</b>		
Deposits	722,944	583,832
Borrowings and financial obligations	58,053	57,727
Other liabilities	276,792	292,225
<b>Contingent</b>	<b>8,114,745</b>	<b>7,754,764</b>

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

<i>In thousands of soles</i>	<b>2018</b>	<b>2017</b>
Interest income	1,563	1,568
Interest expenses	(6,866)	(7,605)
Other expenses, net	(66,366)	(60,059)

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

As of September 30, 2018 and December 31, 2017, Directors, officers and employees of the Bank have performed credit operations allowed by the Banking Law, which regulates and establishes certain limits to transactions with Directors, officers and employees of banks in Peru. As of September 30, 2018 and December 31, 2017, direct loans to employees, directors, officers and key personnel amounted to S/ 430 million and S/ 422 million, respectively.

Likewise, as of September 30, 2018 and 2017, key management personnel and board of directors'

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compensation amounted to S/ 7 million and S/ 8 million, respectively.

**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.