

# BBVA CONTINENTAL

## Investors Report

First Quarter 2019

BBVA Continental

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Financial System

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Appendix  
Debt Issuances

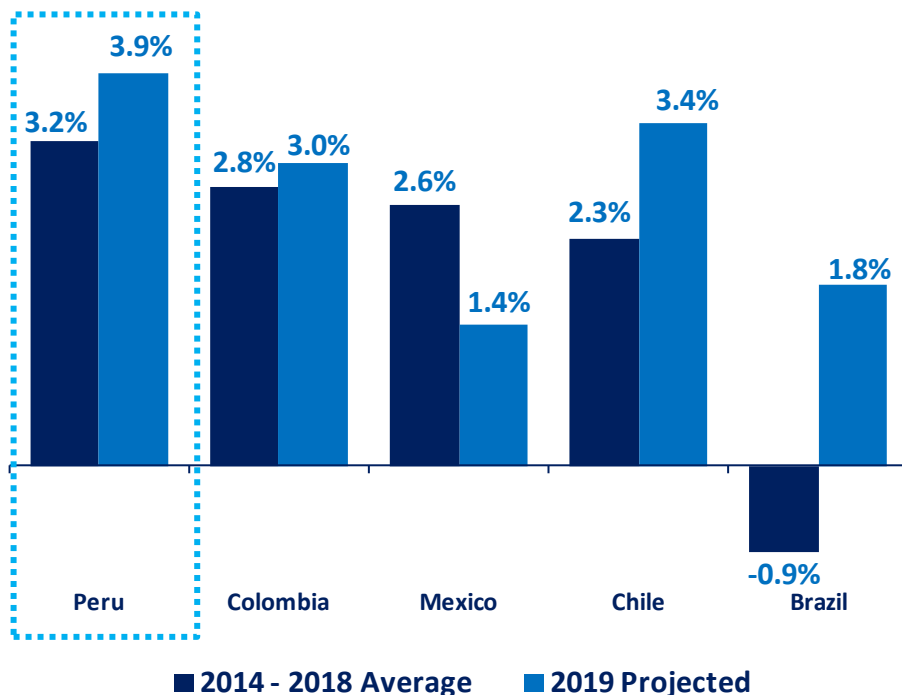


01

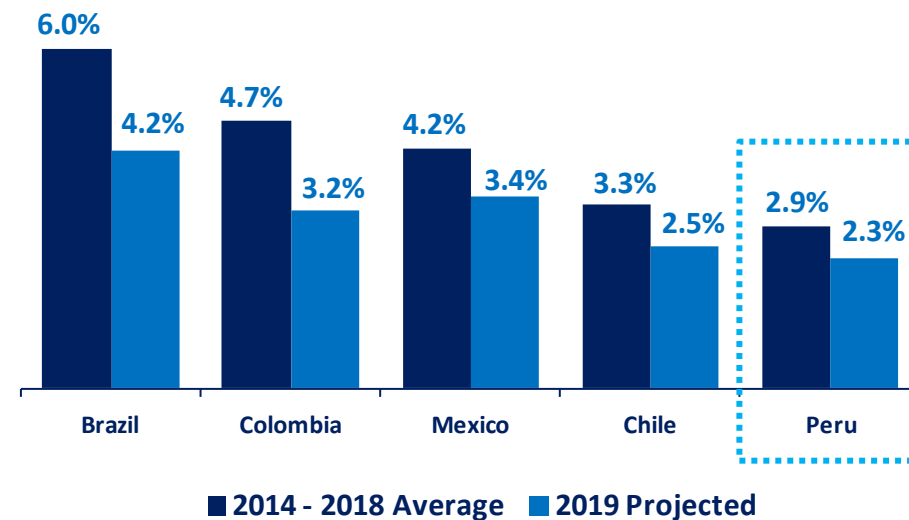
# Peruvian Economy & Financial System

# Peru: one of the most stable and fastest-growing economies in the region

**GDP Growth (Real)**

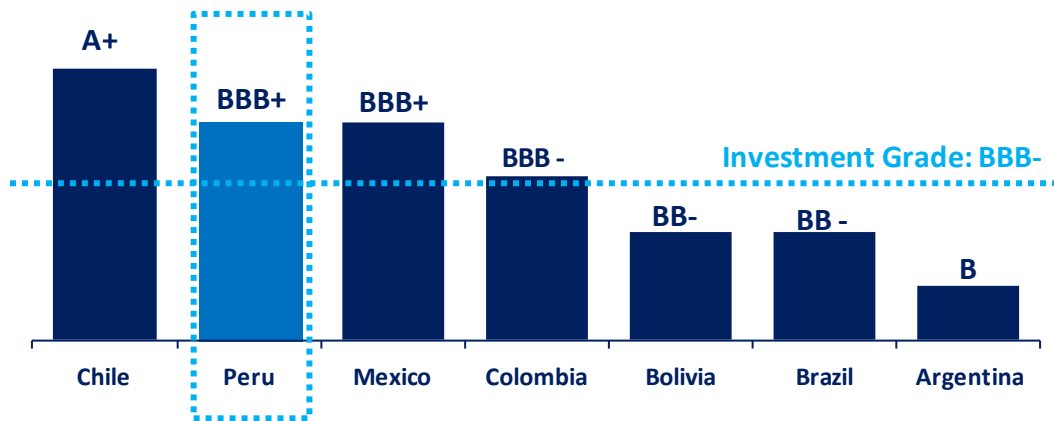


**Inflation (End of Period)**



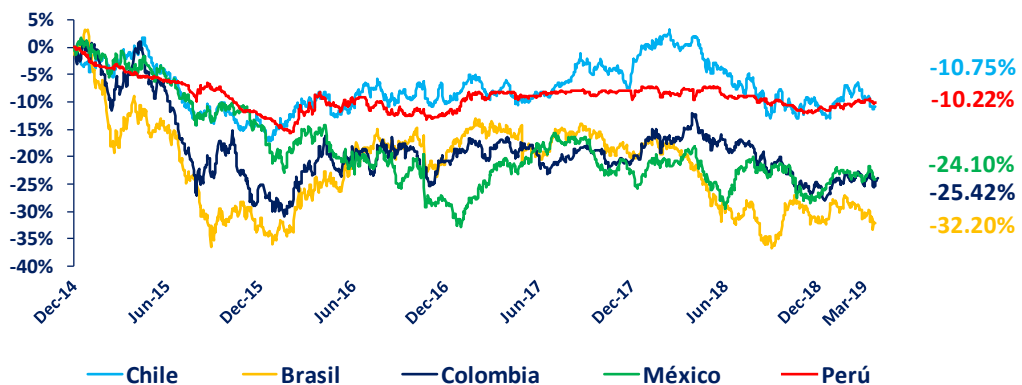
# With sovereign investment grade, relatively stable currency and low indebtedness

## Credit Risk Profile



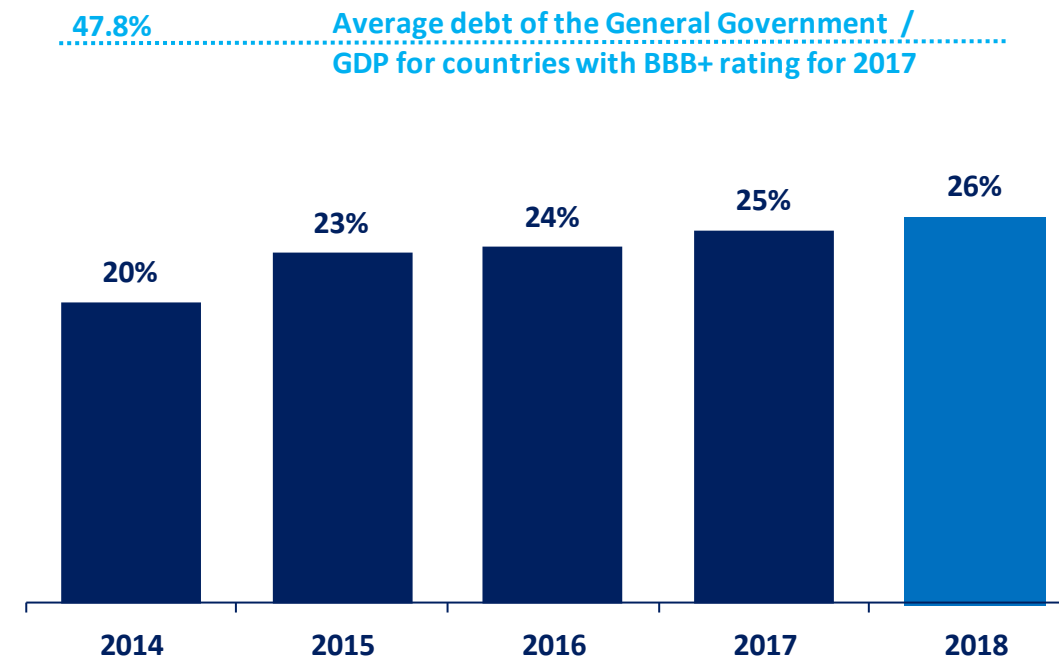
Source: Standard & Poor's

## Currency Depreciation Against USD



Source: Bloomberg

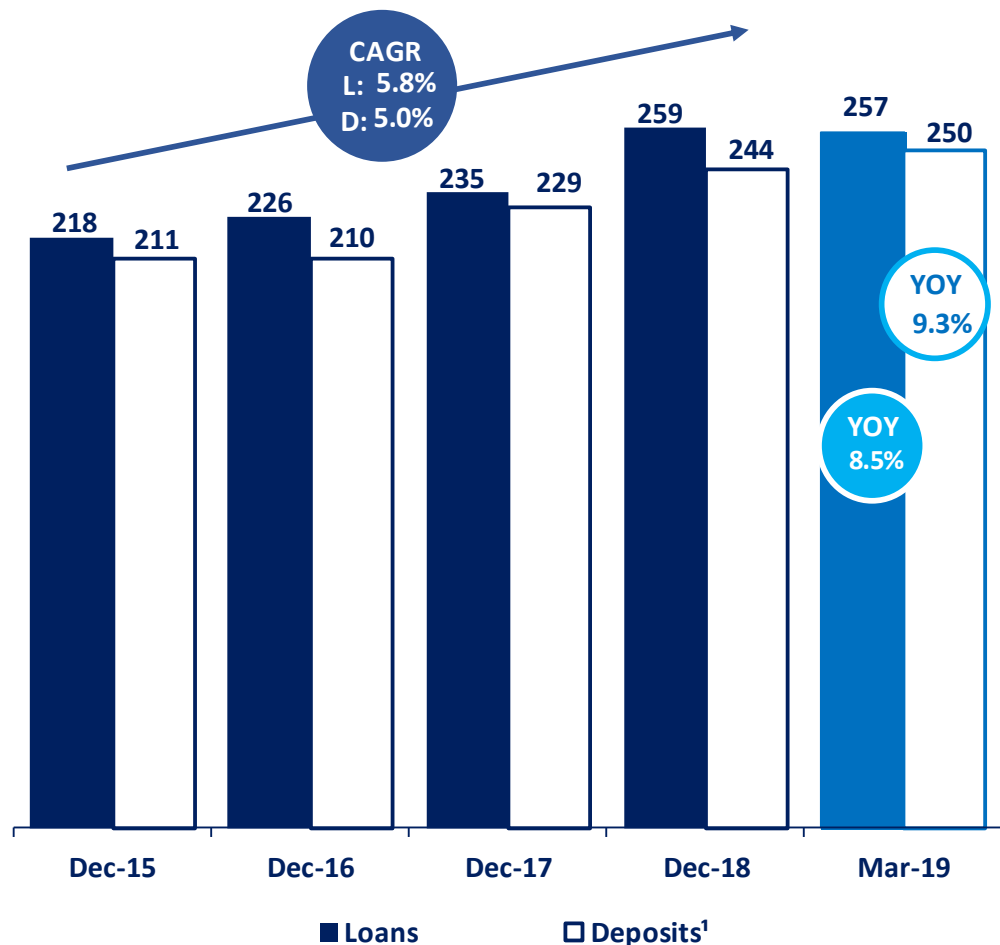
## Peruvian Public Debt (% of GDP)



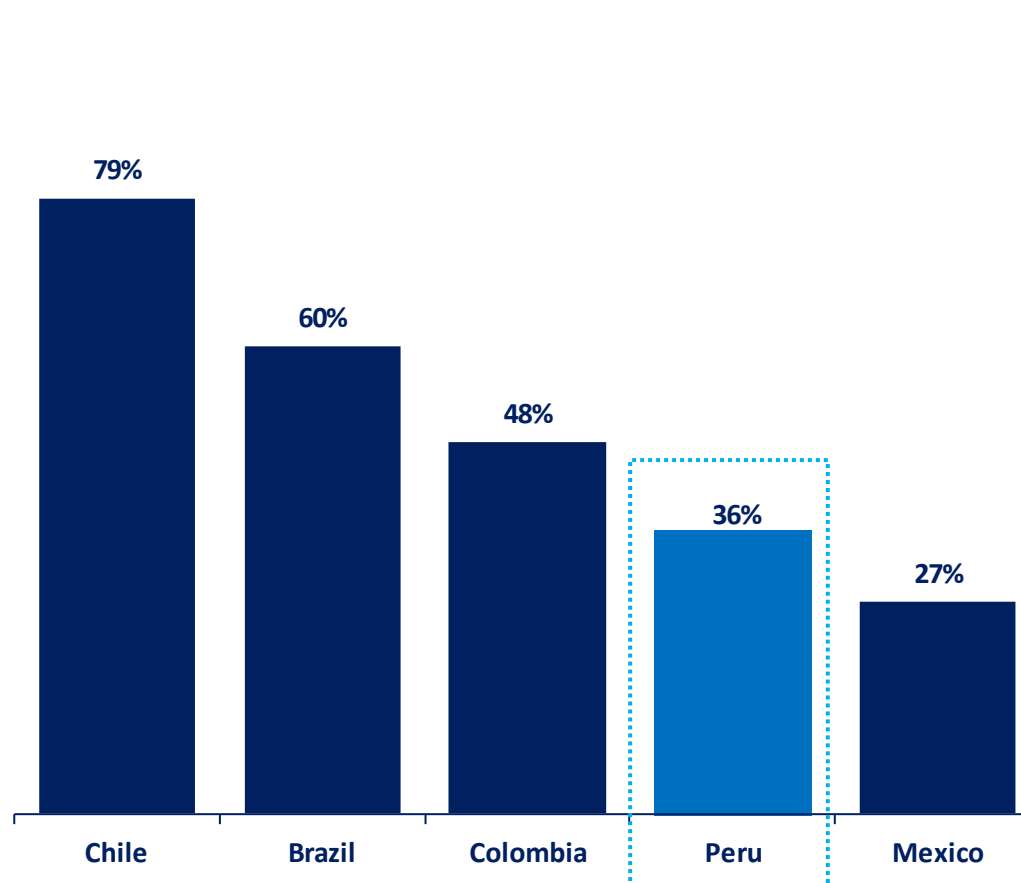
Source: BCRP

# Peru has a solid Banking System with great opportunities to expand

Performing Loans and Deposits (S/ Billion)



Loans to Private Sector (% of GDP, 2018)



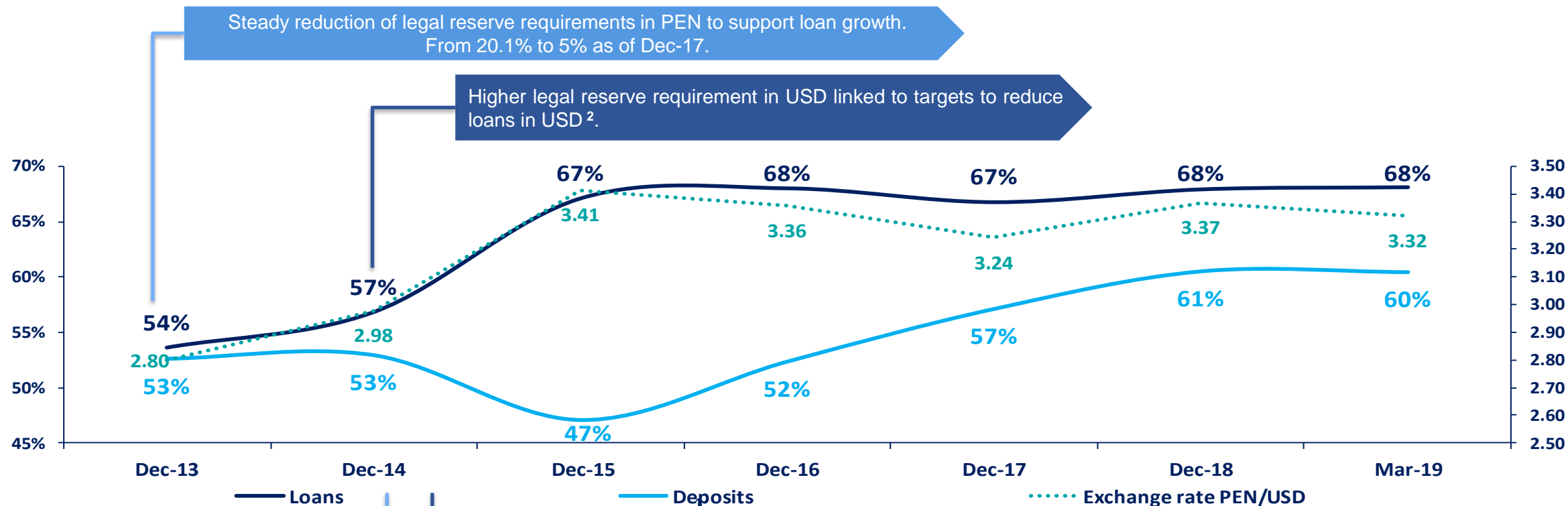
<sup>1</sup> Other obligations are excluded from deposits

Source: Superintendencia de Banca, Seguros y AFP (SBS) / World Bank (WB)

# and a Central Bank that promotes PEN denomination of Loans

## Local Currency Loans & Deposits

(% Total Loans & Deposits)



Steady reduction of legal reserve requirements in PEN to support loan growth. From 20.1% to 5% as of Dec-17.

Higher legal reserve requirement in USD linked to targets to reduce loans in USD <sup>2</sup>.

Higher marginal reserve requirement in USD, reached 70%.

Lower marginal reserve requirements to increase liquidity in USD.

Currency Repos to convert liquidity in USD into PEN.

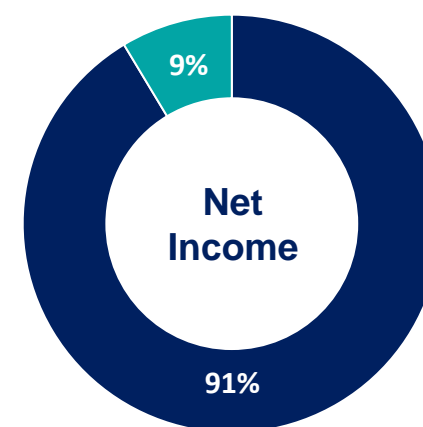
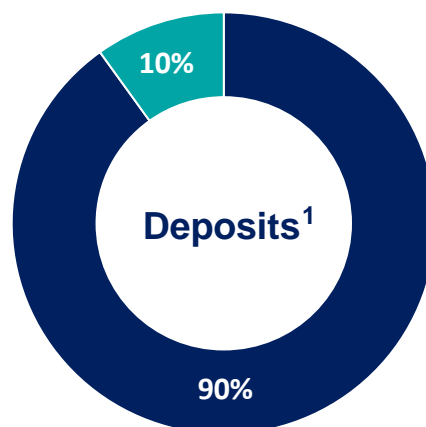
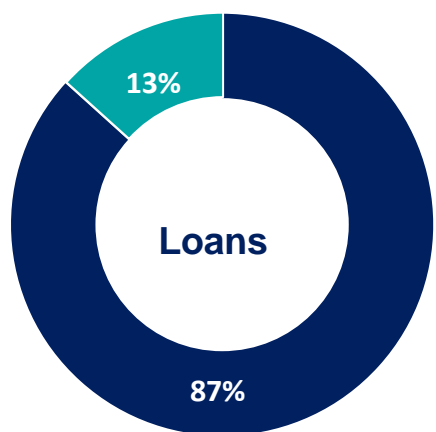
- Measures to promote de-dollarization
- Measures to support de-dollarization

<sup>1</sup> Other obligations are excluded from deposits  
<sup>2</sup> Excluded operations higher than USD10MM and 3 years from June 2015  
 Source: SBS & BCRP



# Peruvian Financial System

Financial system	Institution S/ Million	Net loans Feb-19	Deposits Feb-19	Net Income Feb-19
Banking system	Banks (16)	253,070	249,376	1,354
	Banco de la Nación	7,053	24,557	162
Other financial institutions	Cajas Municipales (12)	19,666	21,378	54
	Financieras (11)	11,783	7,516	81
	Cajas Rurales (6)	1,421	1,323	-1
	Edpymes (9)	2,133	-	8
	Leasing (1)	230	-	1
	COFIDE	4,330	97	3
	Agrobanco	374	-	-2



■ Banking System  
■ Other Financial Institutions

The 4<sup>th</sup> largest players concentrate around 82.2% of the banks loans and deposits

<sup>1</sup> Other obligations are excluded from deposits  
Source: SBS

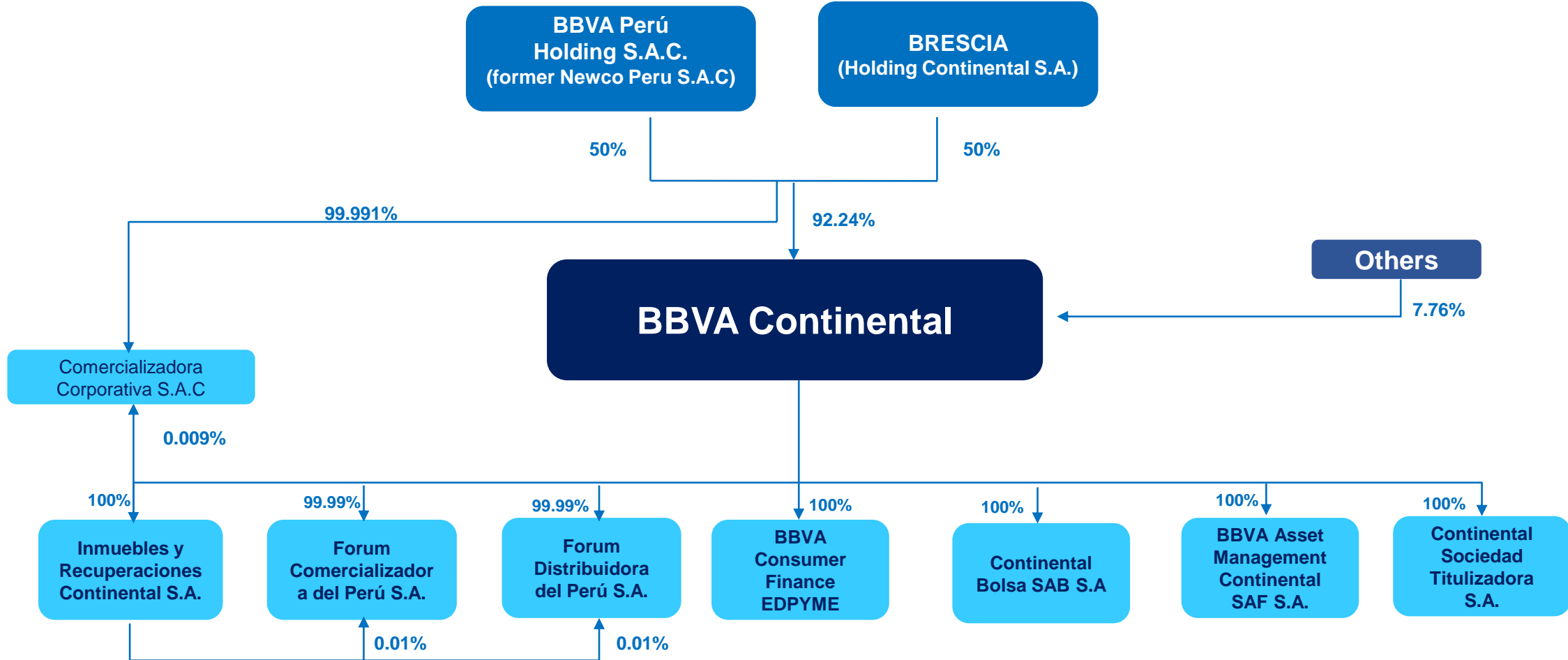


# 02

## About BBVA Continental

# Shareholders

BBVA Continental and Subsidiaries are part of the Economic Group formed by BBVA Group and Breca:



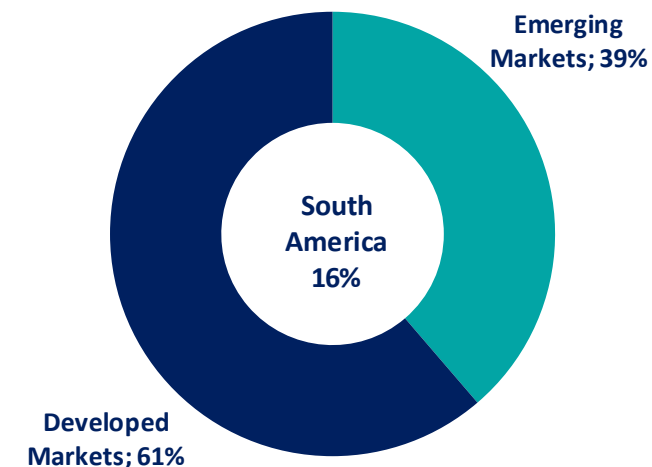
# BBVA Group (March 2019)

Appropriate balance between developed and emerging markets that allows the BBVA Group to diversify its sources of income by providing a high degree of recurrence in its results



Well diversified & self sufficient subsidiaries<sup>1</sup>

Gross Income



**€691**  
billion in total assets

**75.7**  
million customers

**>30**  
countries

**7,844**  
branches

**31,922**  
ATMs

**125,749**  
employees

<sup>1</sup> Excludes Corporate activities. Leading franchises in Developed (Spain and EEUU) and Emerging Markets (South America, Mexico and Turkey).  
Source: BBVA Group

# Principles of Liquidity & Capital Management of BBVA Group





Self-sufficient subsidiaries from a liquidity point of view, with robust supervision and control by parent company

Retail profile of BBVA Group balance sheet with limited dependence on wholesale funding

Parent and subsidiaries proven ability to access the wholesale funding markets (medium & long term) on a regular basis

Ample high quality collateral available, compliant with regulatory liquidity requirements at a Group and Subsidiary level

## Subsidiaries

-  Self-sufficient balance-sheet management
-  Own capital and liquidity management
-  Market access with its own credit, name and rating
-  Responsible for doing business locally

## Corporate Center

-  Guidelines for capital and liquidity / ALCO supervision
-  Common risk culture

## *Decentralized model*

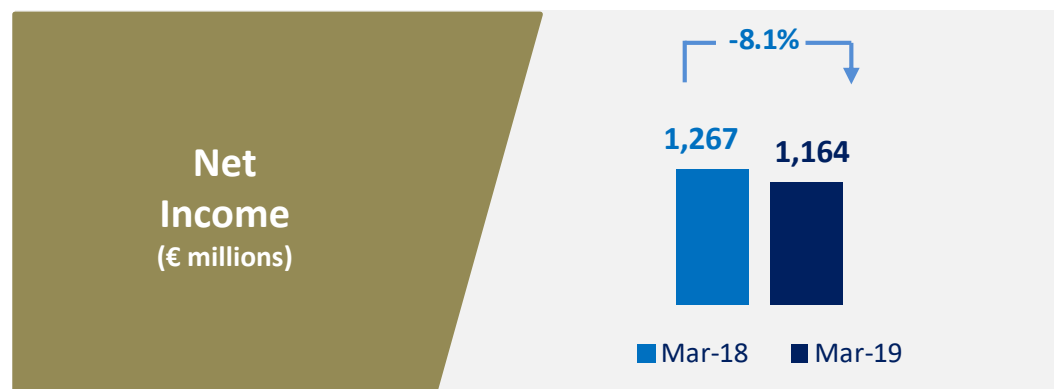
## Advantages

-  Market discipline and proper incentives / sustainable credit growth
-  Medium term orientation / consistent with retail banking
-  Natural firewalls / limited contagion
-  Safeguards financial stability / proven resilience during the crisis
-  Helps development of local capital markets
-  Buffers in different balance sheets

No liquidity transfers between the parent and subsidiaries, or among subsidiaries

# Highlights of BBVA Group (March 2019)

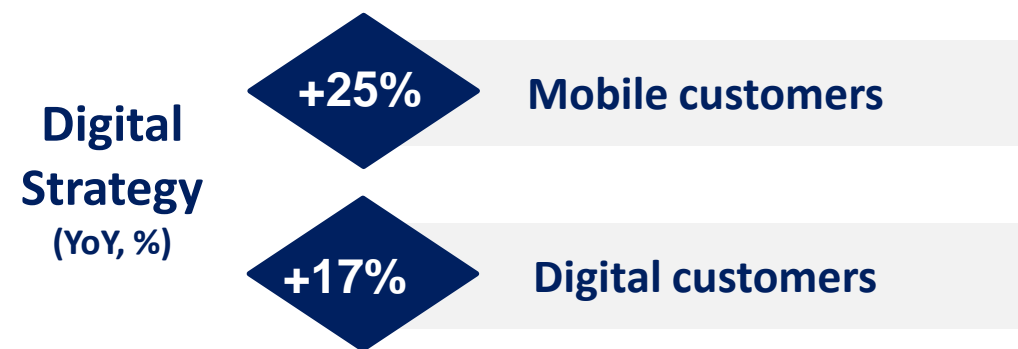
<b>Assets</b> <small>(€ millions)</small>	691,200
<b>ROE</b>	9.9%
<b>ROA</b>	0.84%



## Great Asset Quality

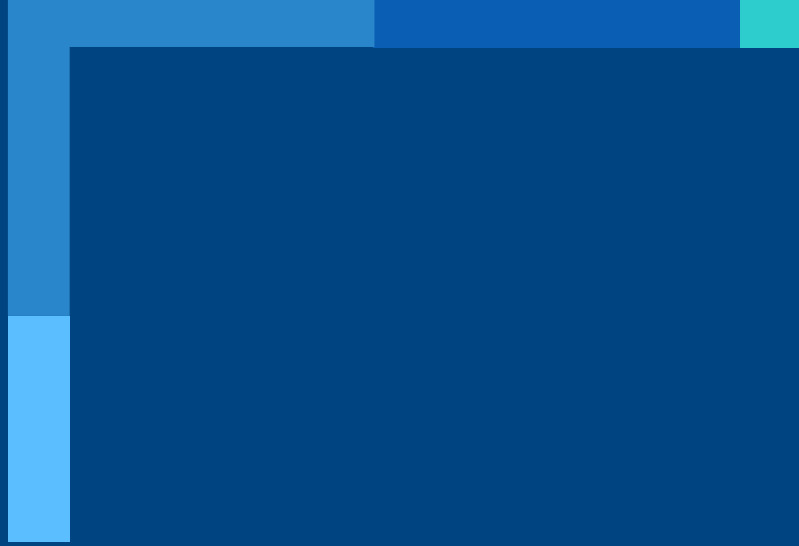
<b>NPL</b>	3.9%
<b>Cost of Risk</b>	1.06%
<b>Coverage Ratio</b>	74%

<b>Cost Control</b> <small>(YoY, %)</small>	<b>Administrative Expenses</b> <b>+1.1%</b>	<b>Efficiency Ratio</b> <b>48.1%</b>
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## Strong Capital & Liquidity Ratios

<b>Global Capital</b>	<b>CET1</b>
15.2%	11.3%
<b>Liquidity Coverage Ratio</b>	<b>127%</b>



# 03

## Financial Highlights

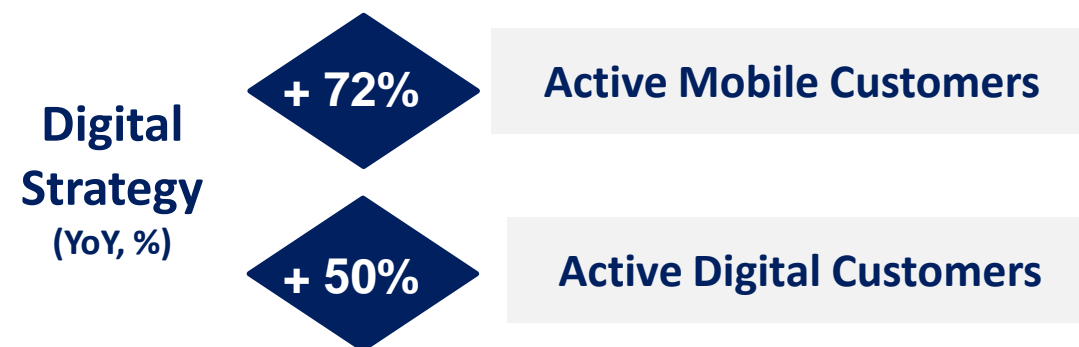
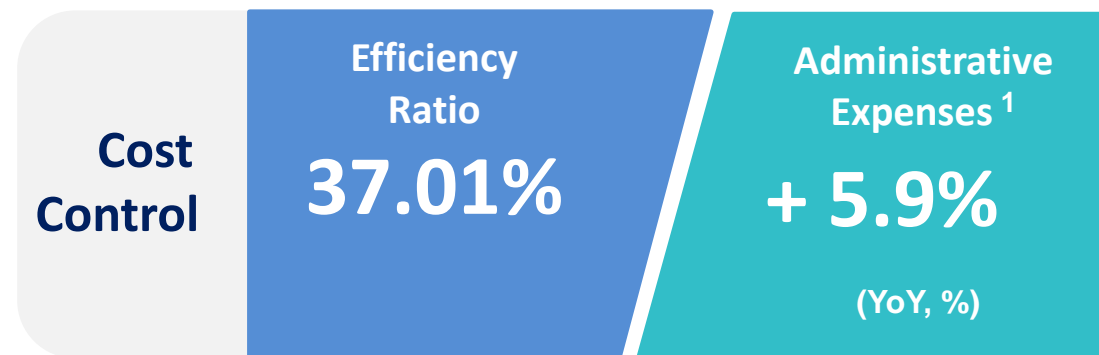
# Highlights of BBVA Continental (March 2019)

Assets <small>(S/ million)</small>	80,269
ROE	18.83%
ROA	1.98%



## Great Asset Quality

NPL	2.99%
Cost of Risk	1.43%
Coverage Ratio	161.1%



## Strong Capital & Liquidity Ratios

Global Capital	CET1
14.82%	10.77%
Loan-to-Deposit	98%

<sup>1</sup> Administrative Expenses include depreciation and amortization.

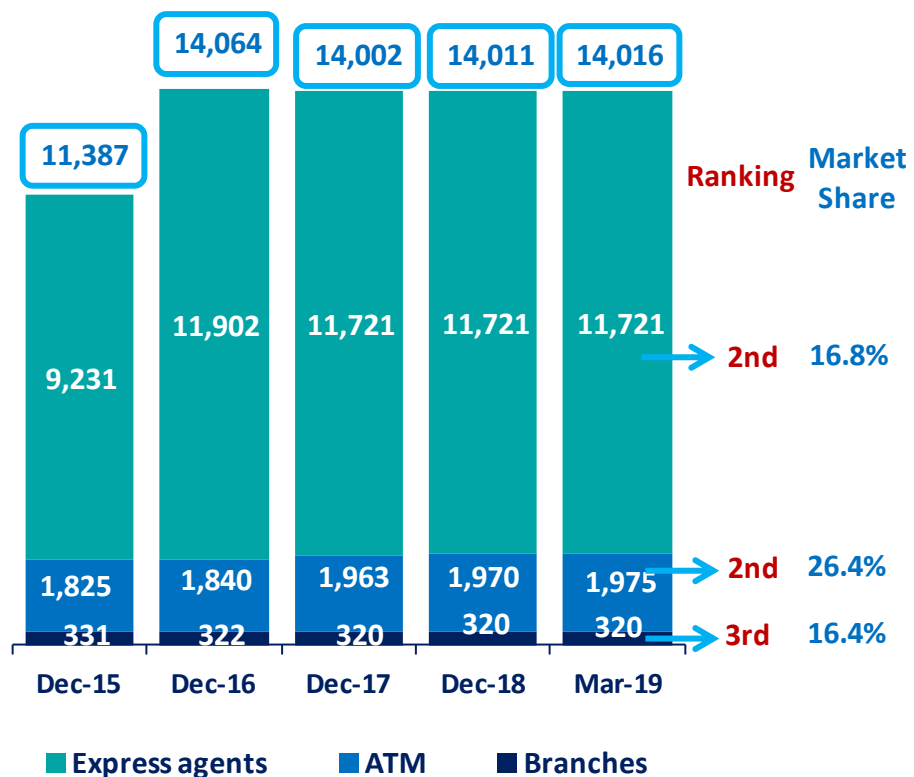


# Strong banking platform

## Distribution network<sup>1</sup>

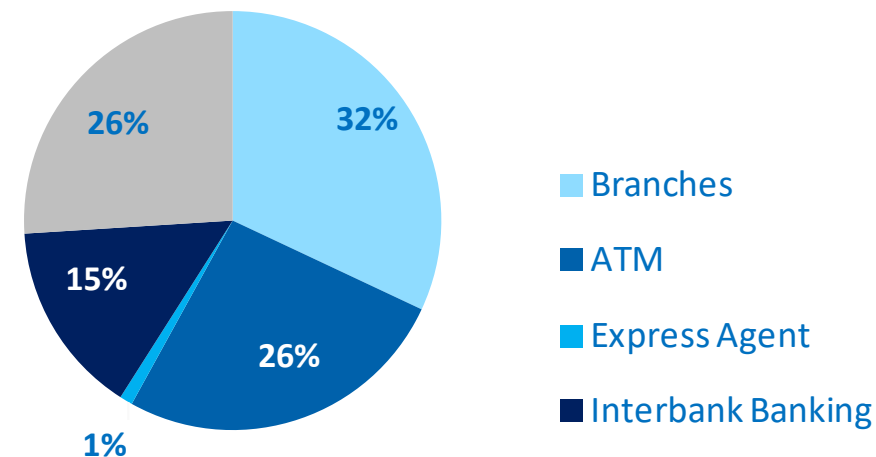
One of the largest in the country

- ✓ 14,016 points of service
- ✓ More than 5.5 million customers

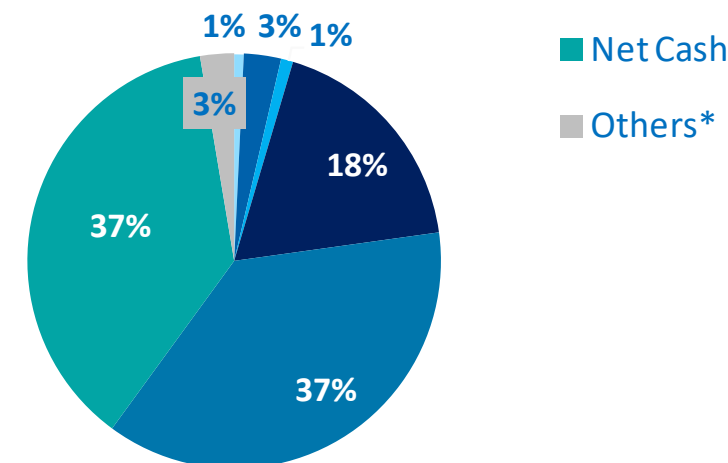


## Evolution in transactions per channel

2008



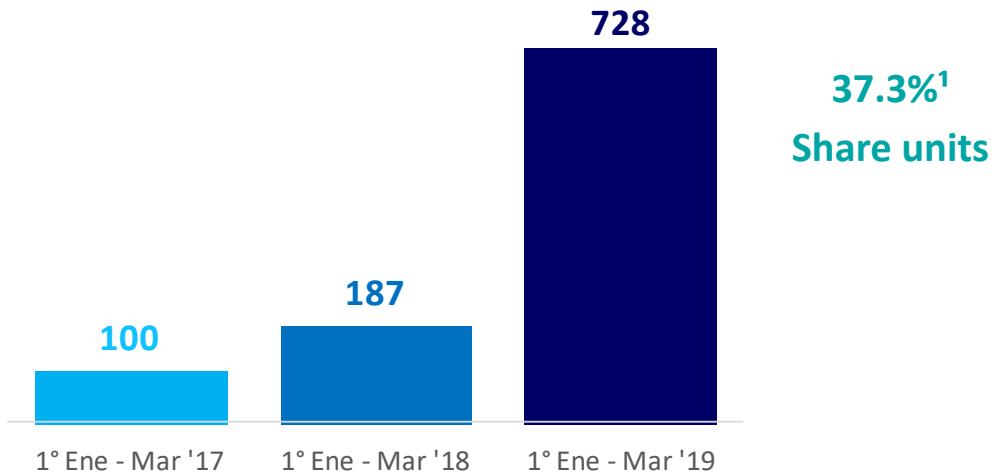
March 2019



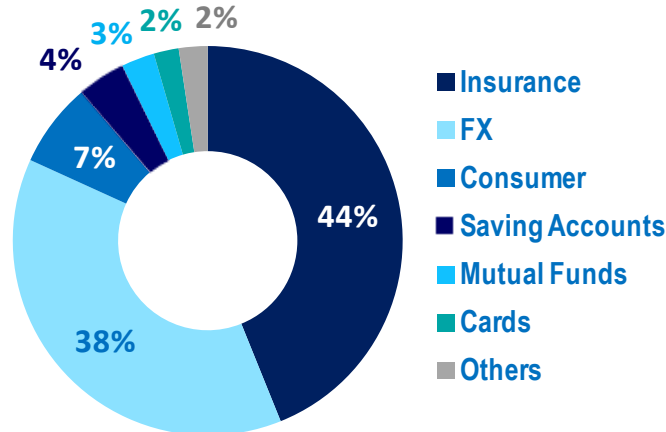
\* Others: telephone banking, Express Cash, POS and automatic debt

# With the purpose of being the leading digital bank in the region

## Digital Sales – Units (thousands)



## Digital Sales by Product (March 2019)



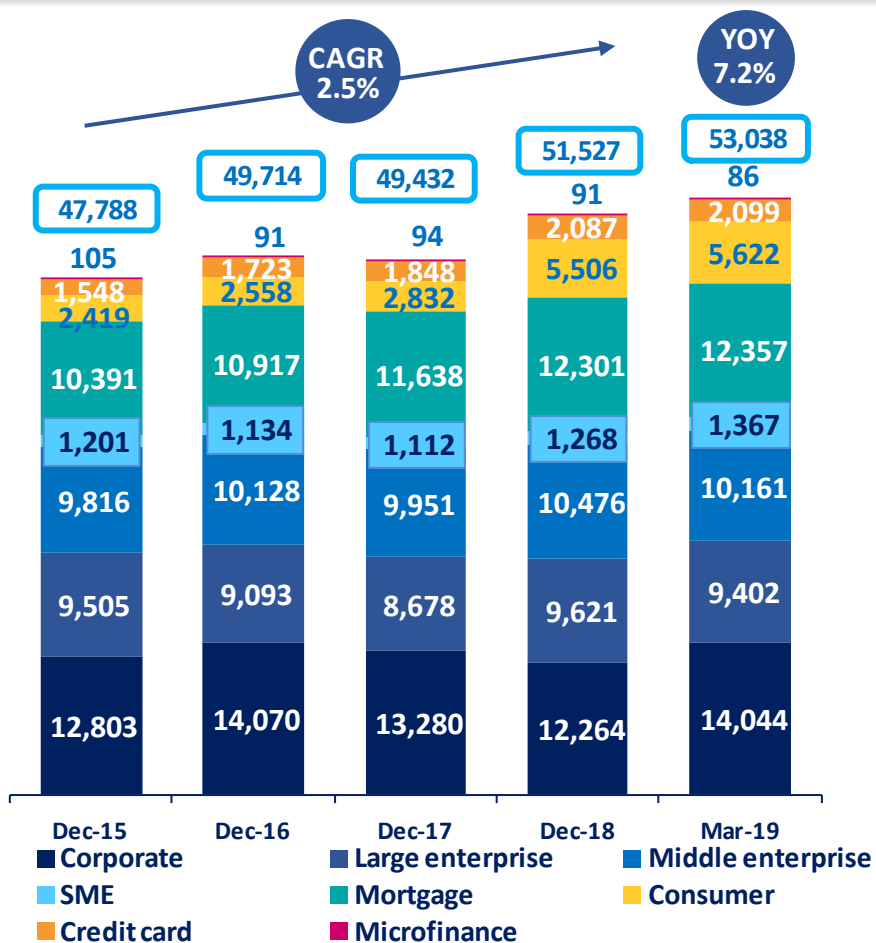
¹ Digital sales between total sales (consider only products that are currently sold by digital channels).  
Source: BBVA Continental

## Main Growth Drivers

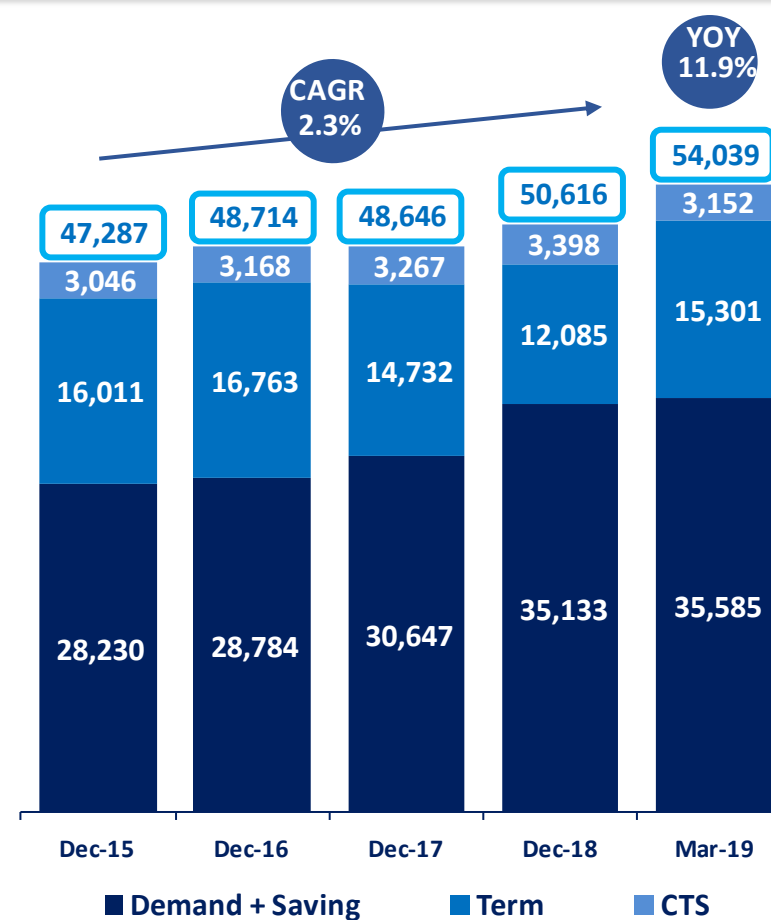
- 1 Product Digitalization**
  - We have 779K digital active clients (625K of them are mobile assets) with high potential of digital contracting.
- 2 Sales to no clients**
  - Launch of a campaign of accounts on the public web.
  - Participated in the 2 largest eCommerce events in Q1 .
- 3 Digital sales incentives in branches**
  - Continues the incentive of credit cards and personal loans.
- 4 Focus in digital marketing**
  - Acquisition cost is less than other bank channels.
  - Use of new means to reach customers and not customers.
  - Implementation of 17 Test of improvements in the Web.

# Loans and Deposits Performance (S/ Million, %)

## Performing loans

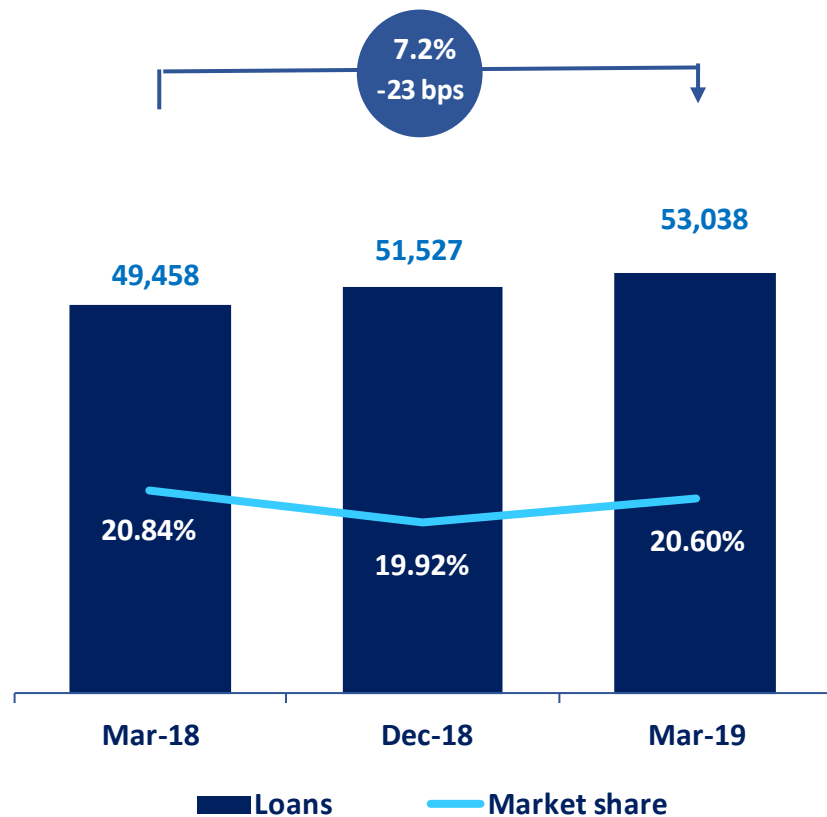


## Deposits<sup>1</sup>



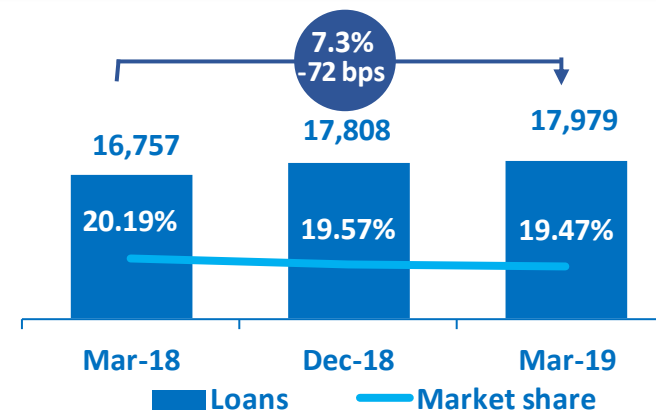
<sup>1</sup> Other obligations are excluded from deposits  
Source: SBS

# Performing Loans (\$/ Million, %)



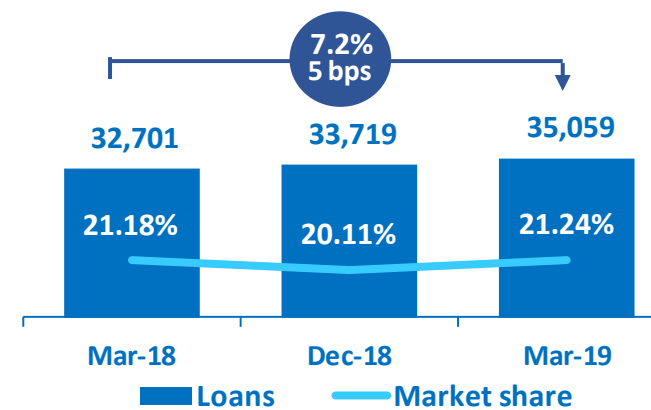
Banking System	257,441
YOY Variation	8.5%

## Retail Loans



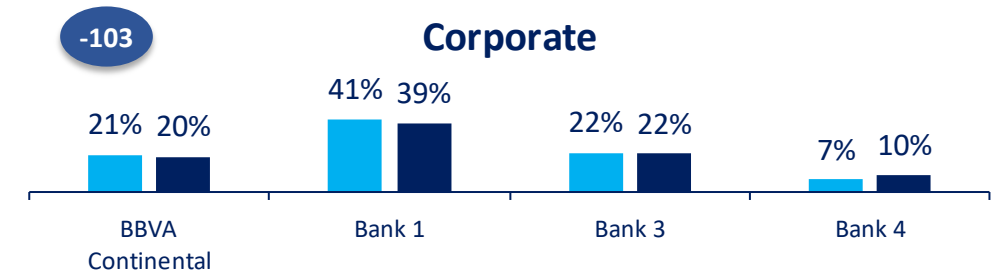
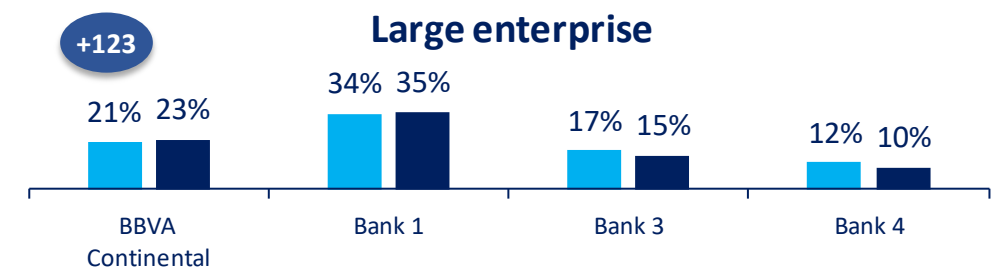
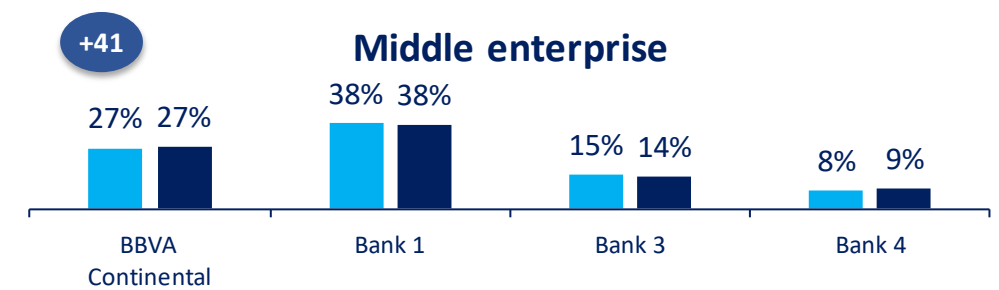
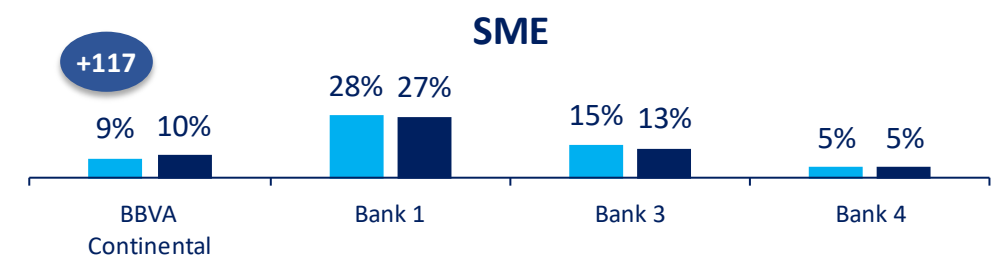
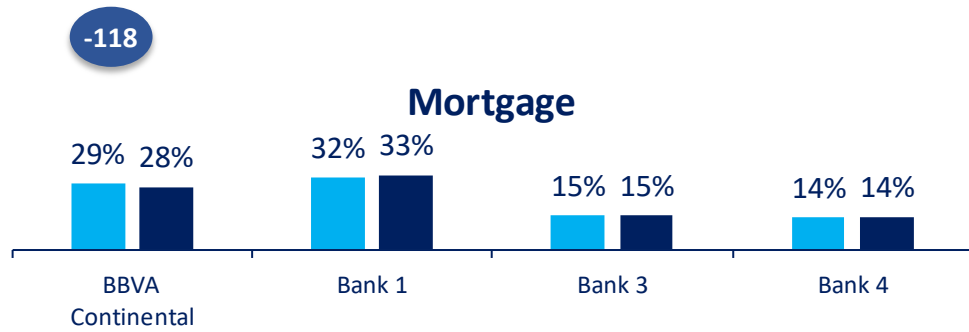
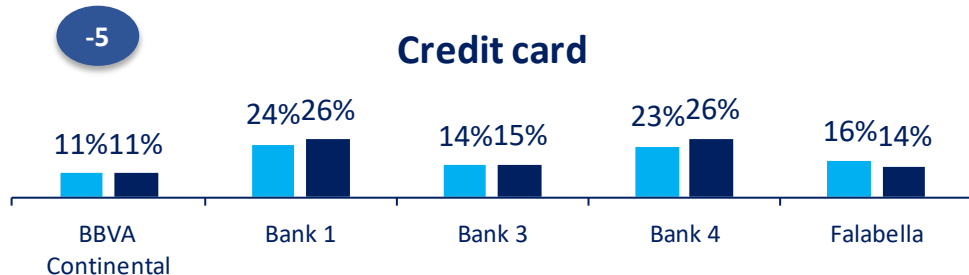
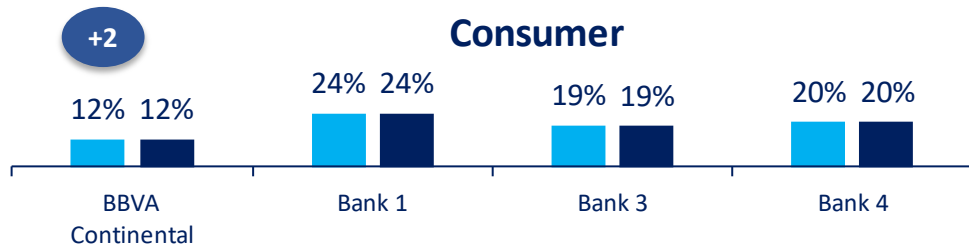
Banking System	92,344
YOY Variation	11.3%

## Business Loans



Banking System	165,097
YOY Variation	6.9%

# Market Share - Loans

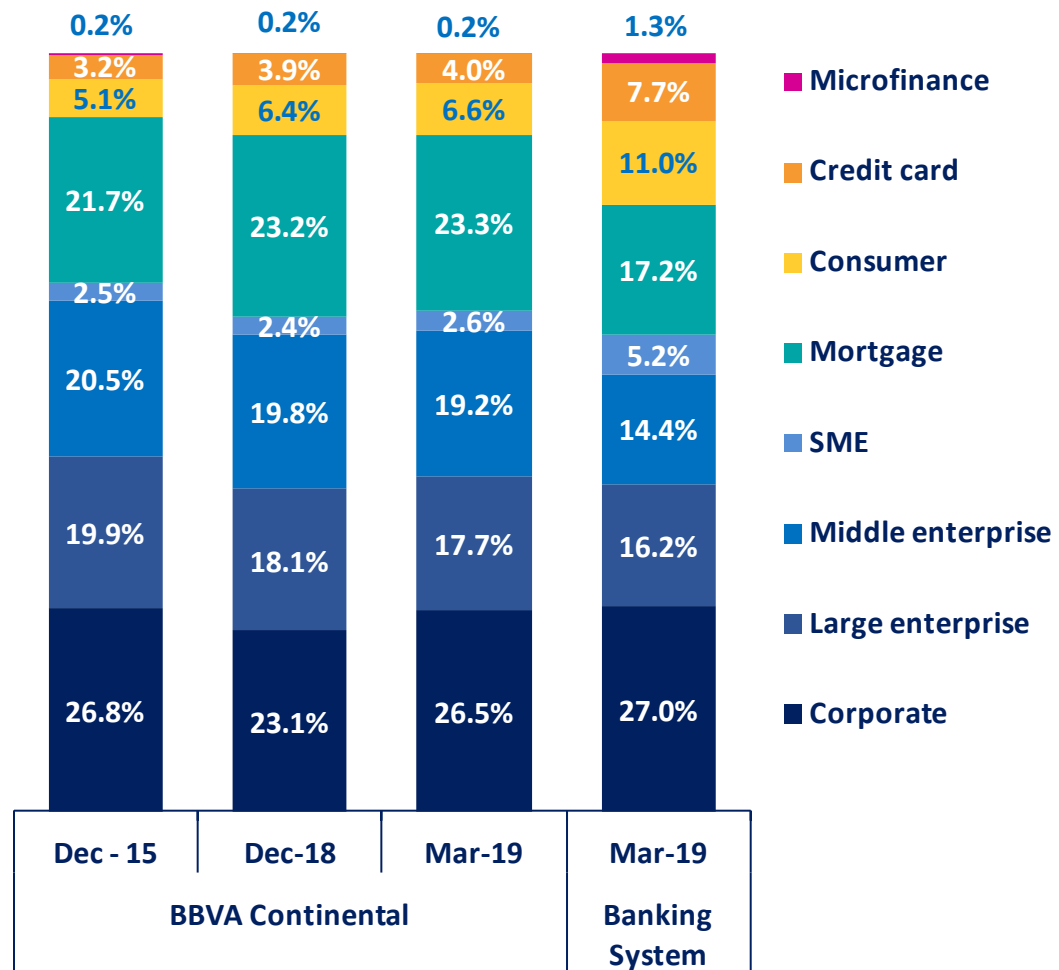


● YoY changes in basis points.  
■ Mar-18 ■ Mar-19

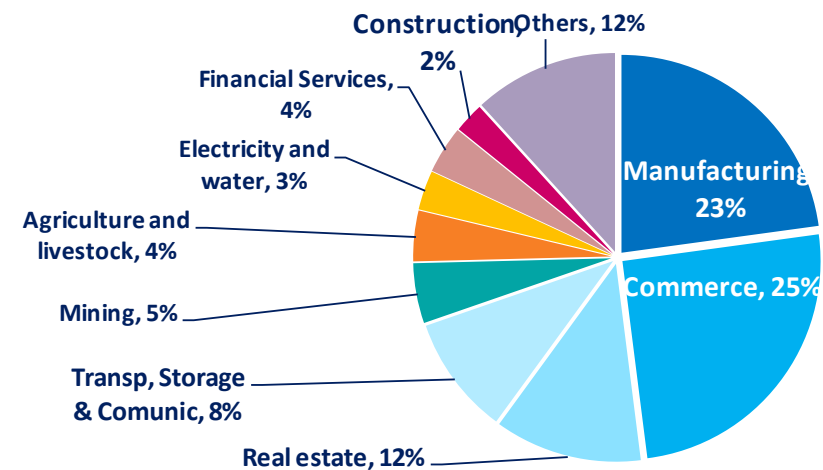
# Well Diversified Loan Portfolio

(March 2019)

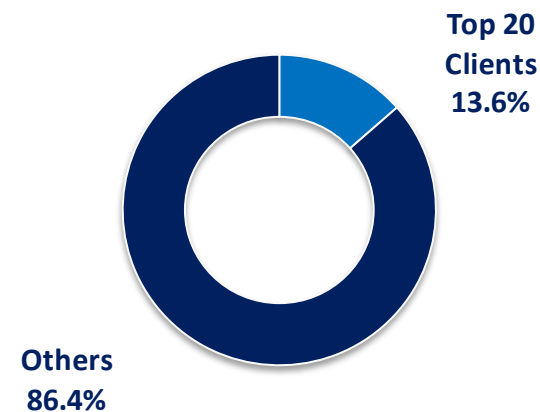
## Loans breakdown



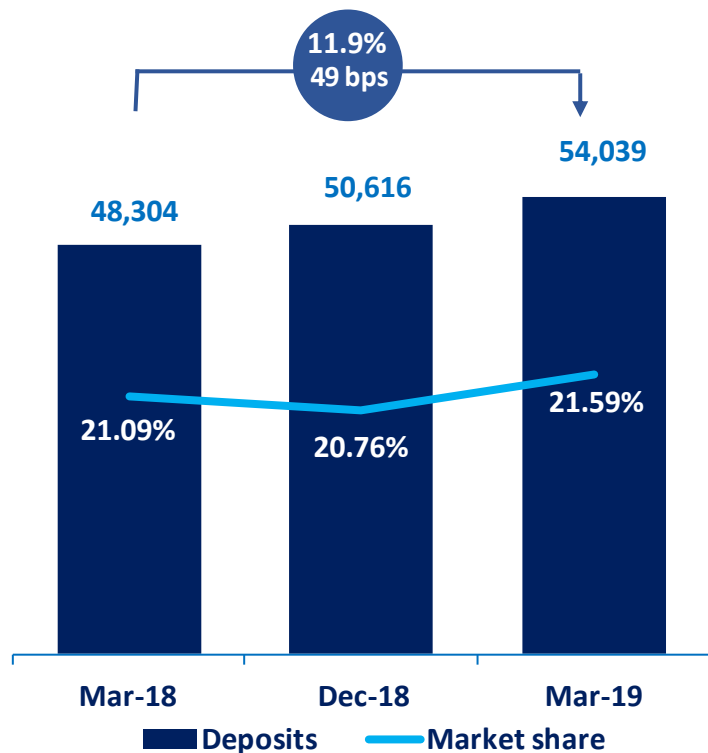
## Loans by economic sector



## Concentration Risk

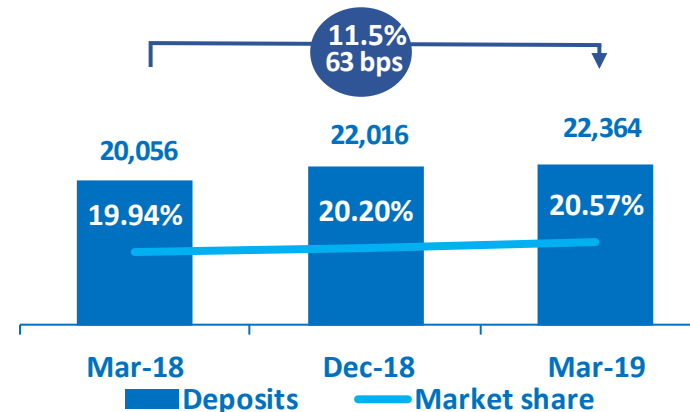


# Deposits (\$/ Million, %)



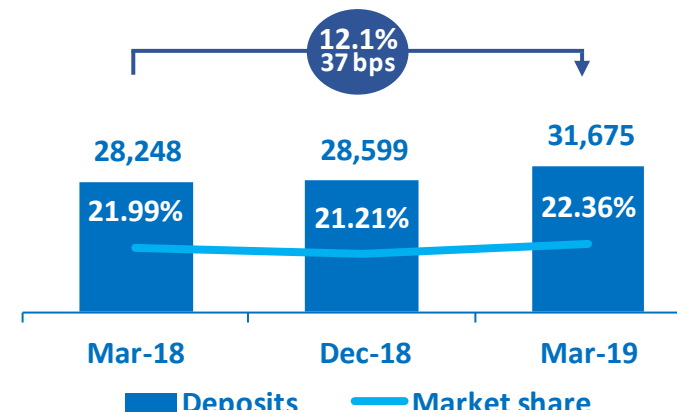
Banking System	250,344
YOY Variation	9.3%

## Retail Deposits



Banking System	108,716
YOY Variation	8.1%

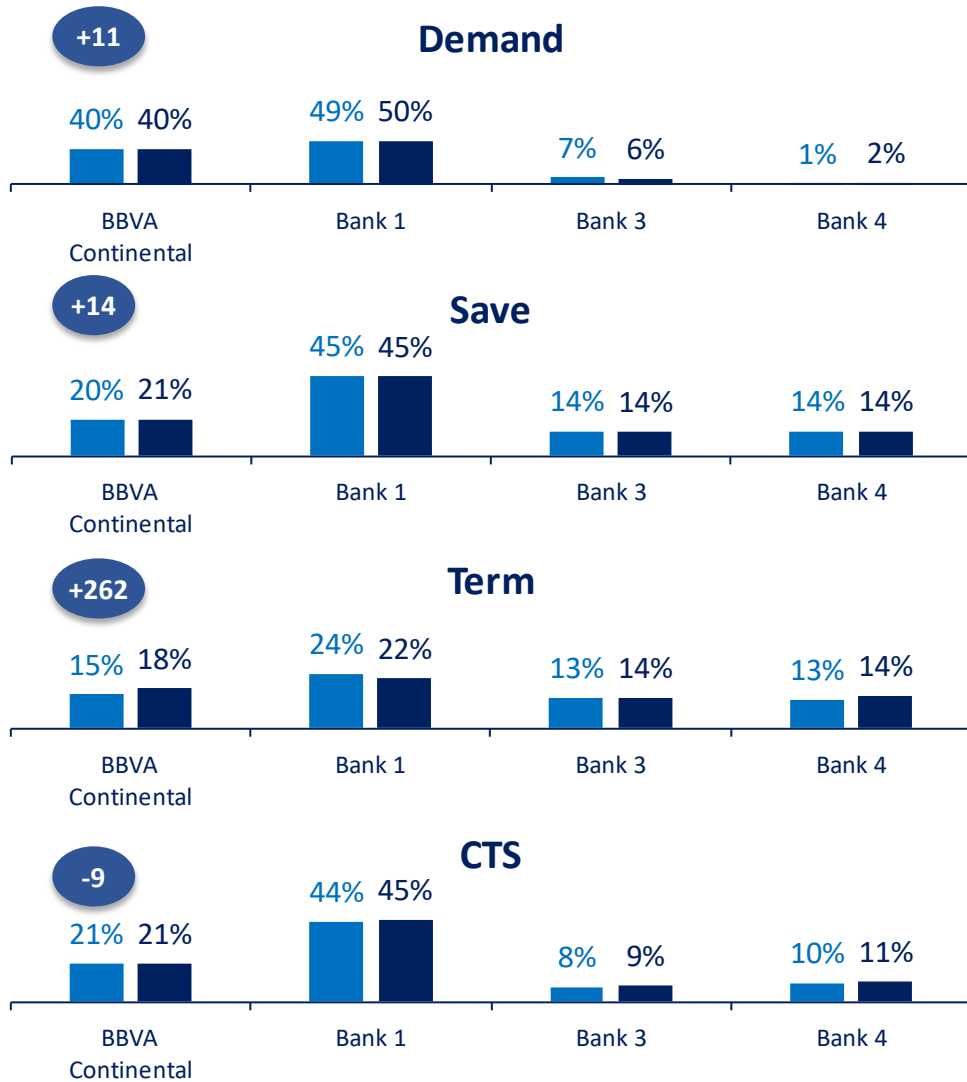
## Business Deposits



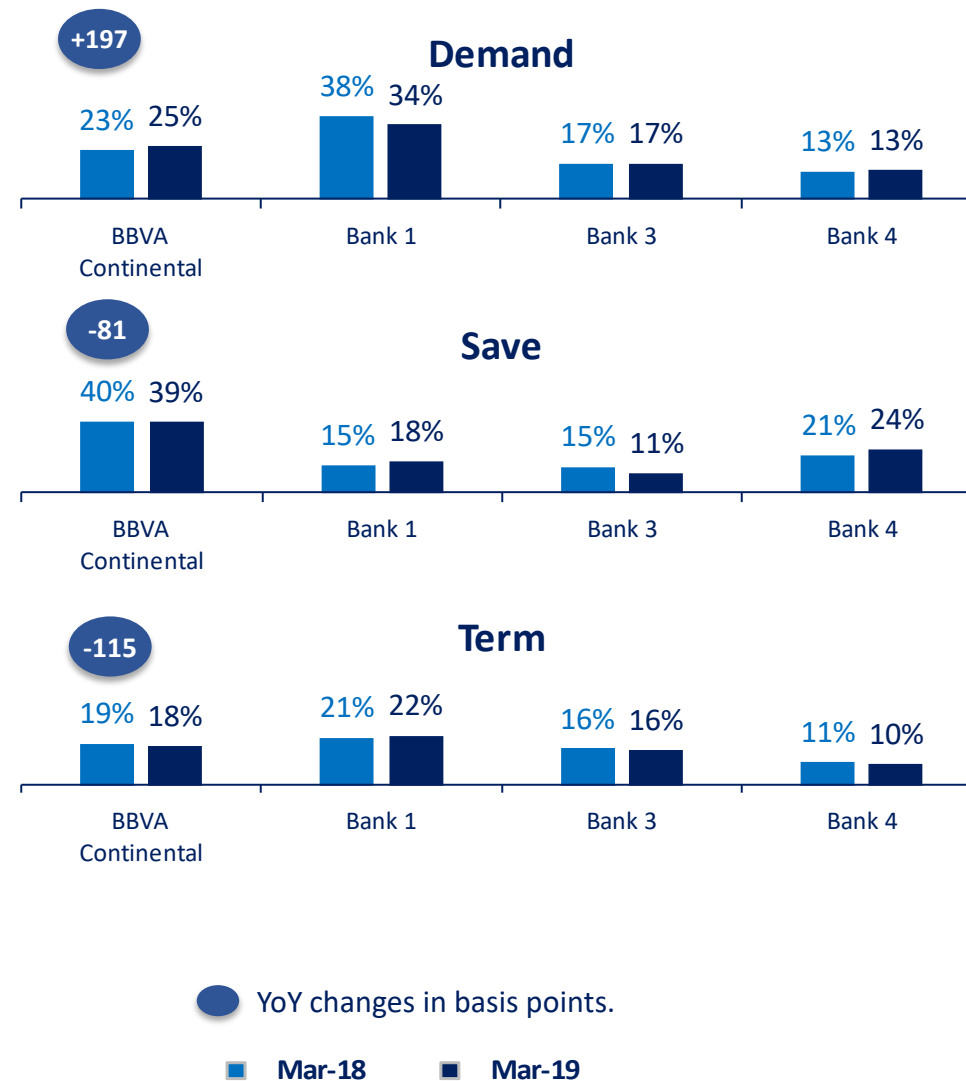
Banking System	141,627
YOY Variation	10.3%

# Market Share - Deposits

## Retail Deposits



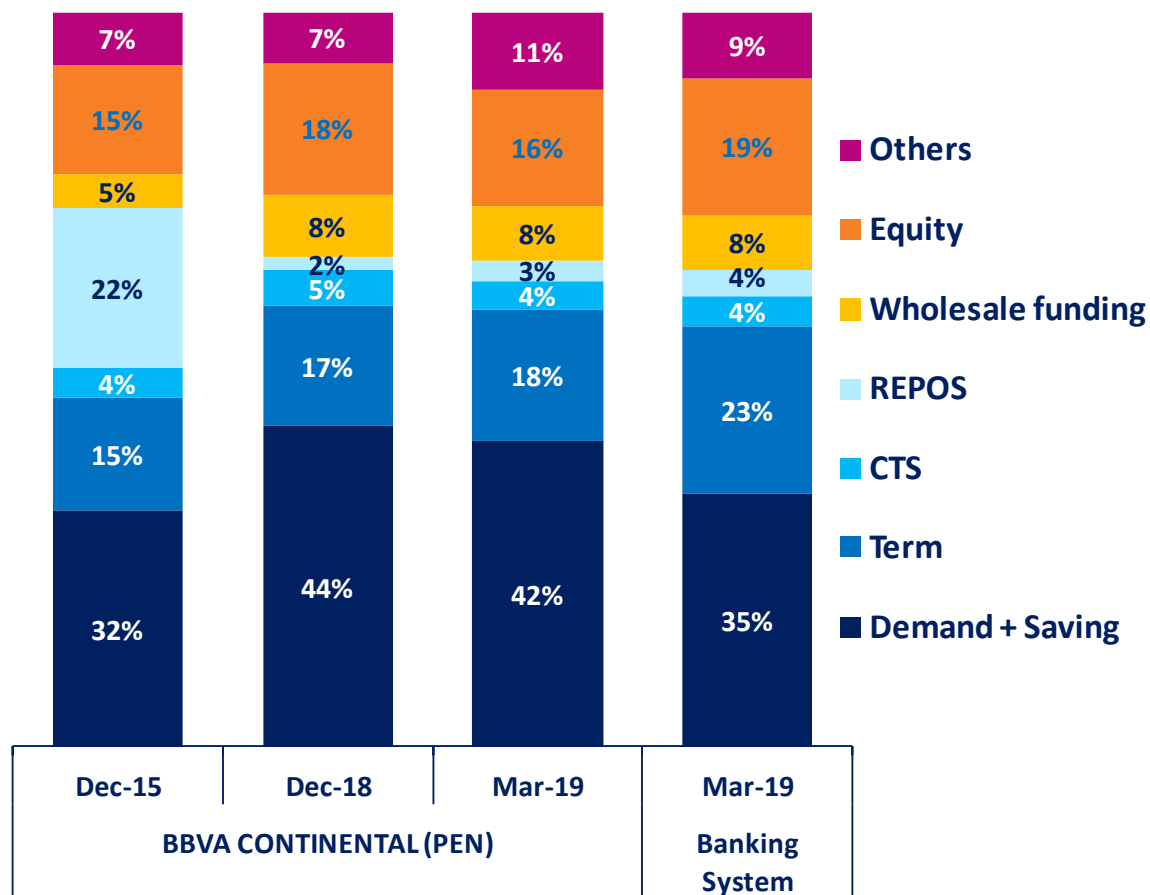
## Business Deposits



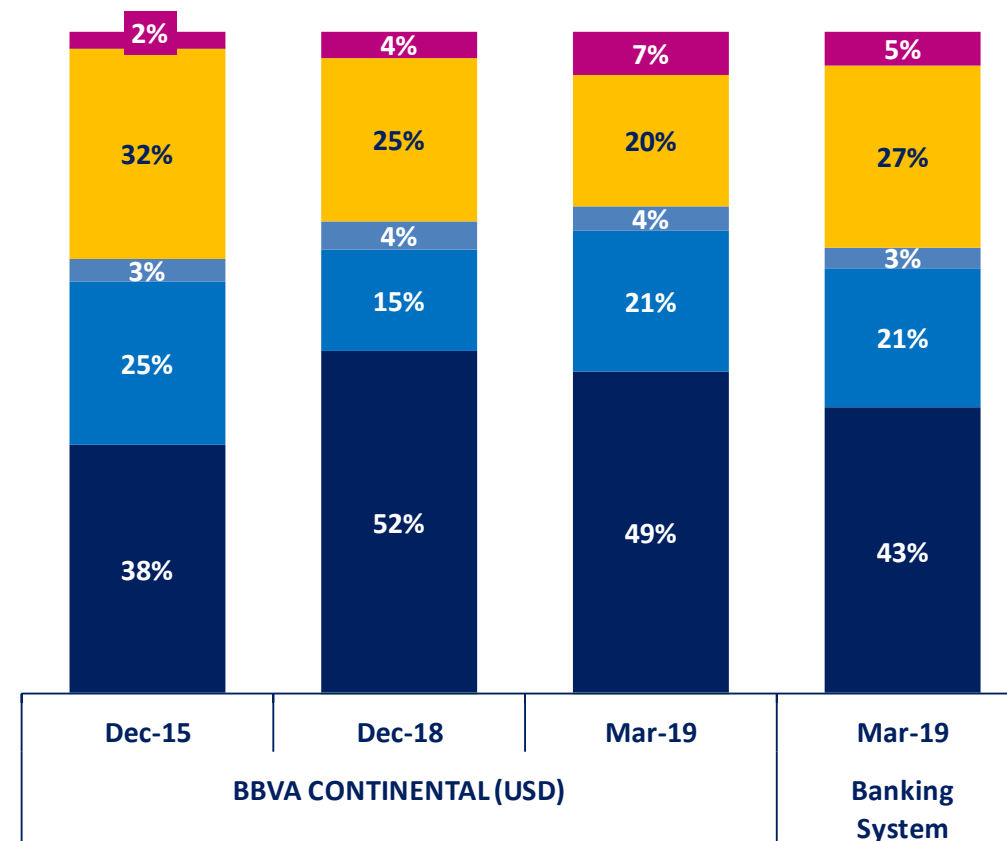


# Liabilities and Capital Breakdown

## Local Currency

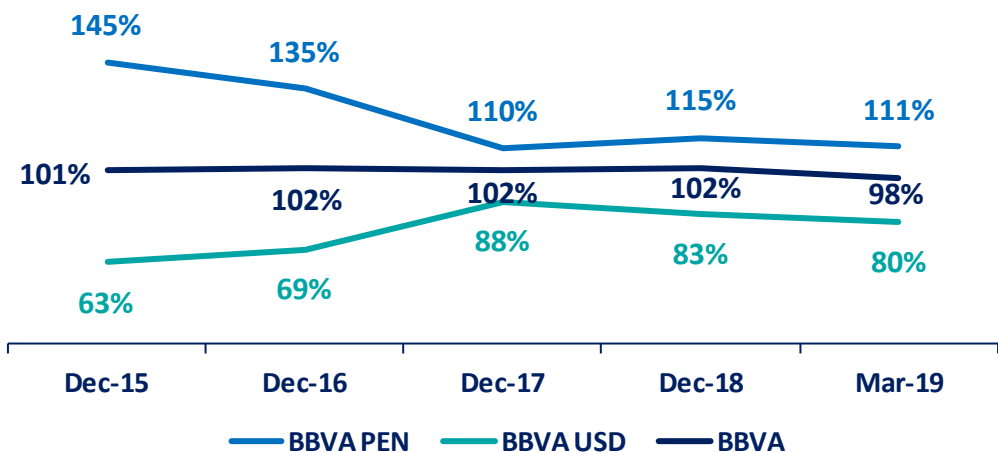


## Foreign Currency

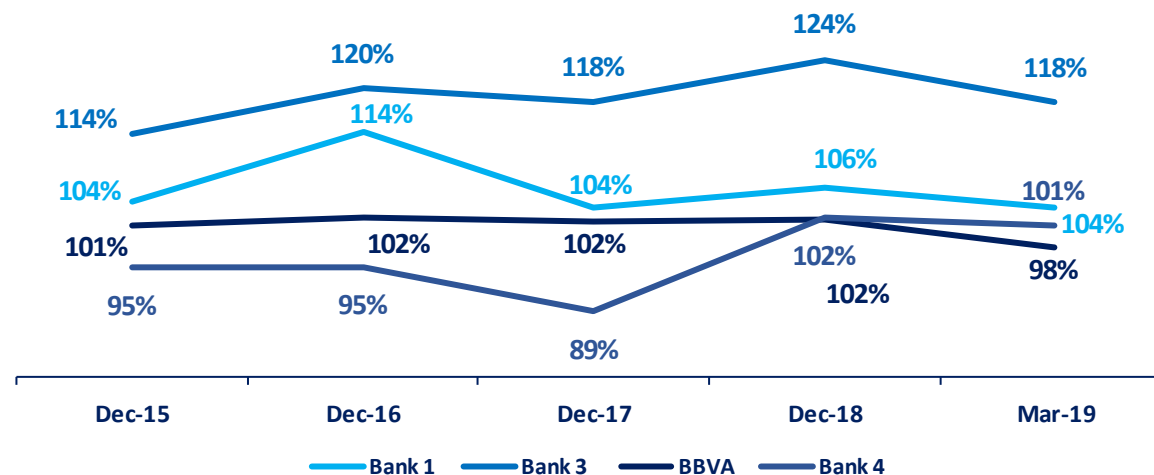


# High level of self-financing and balance sheet in local currency

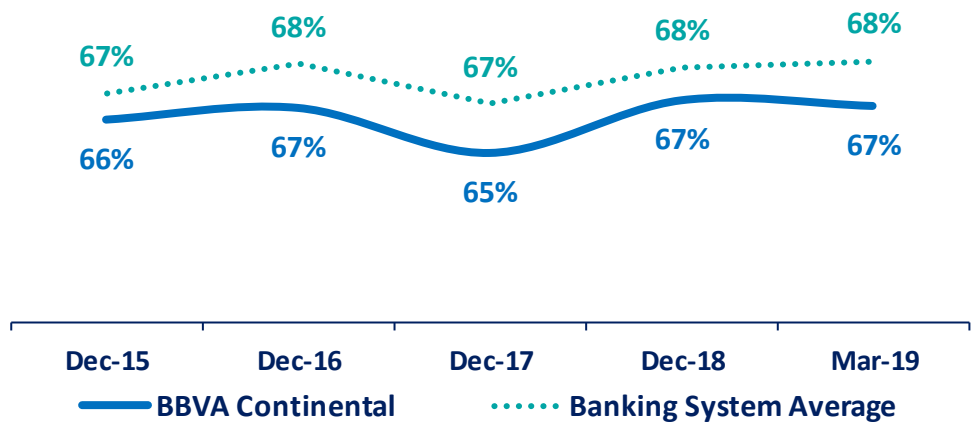
Loan-To-Deposit by currency<sup>1</sup>



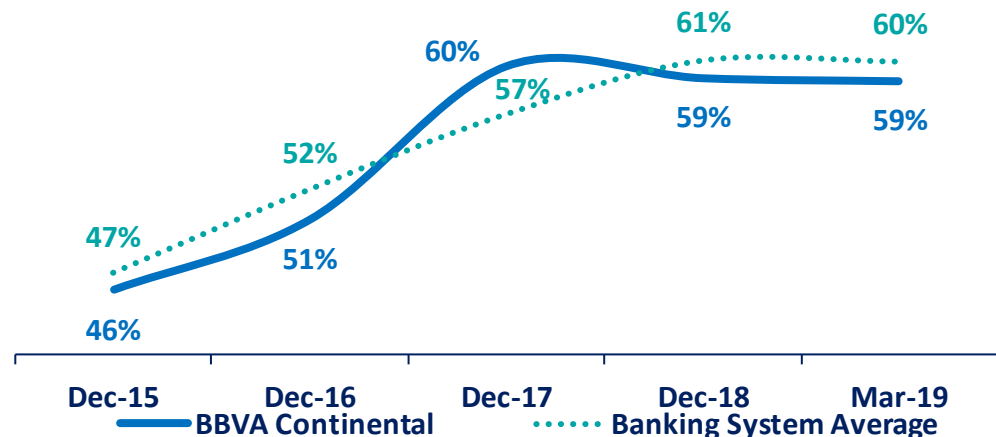
Loan-To-Deposit - Peer group



Domestic Currency Performing Loans (% Total Loans)



Domestic Currency Deposits (% Total Deposits)



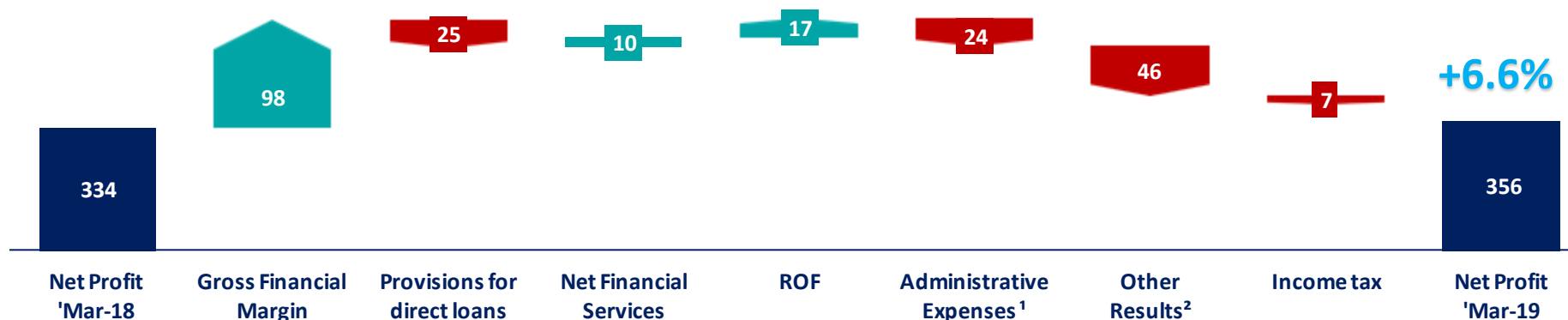
<sup>1</sup>Other obligations are excluded from deposit.

Source: SBS

# BBVA Continental Profit & Loss

(S/ Million)

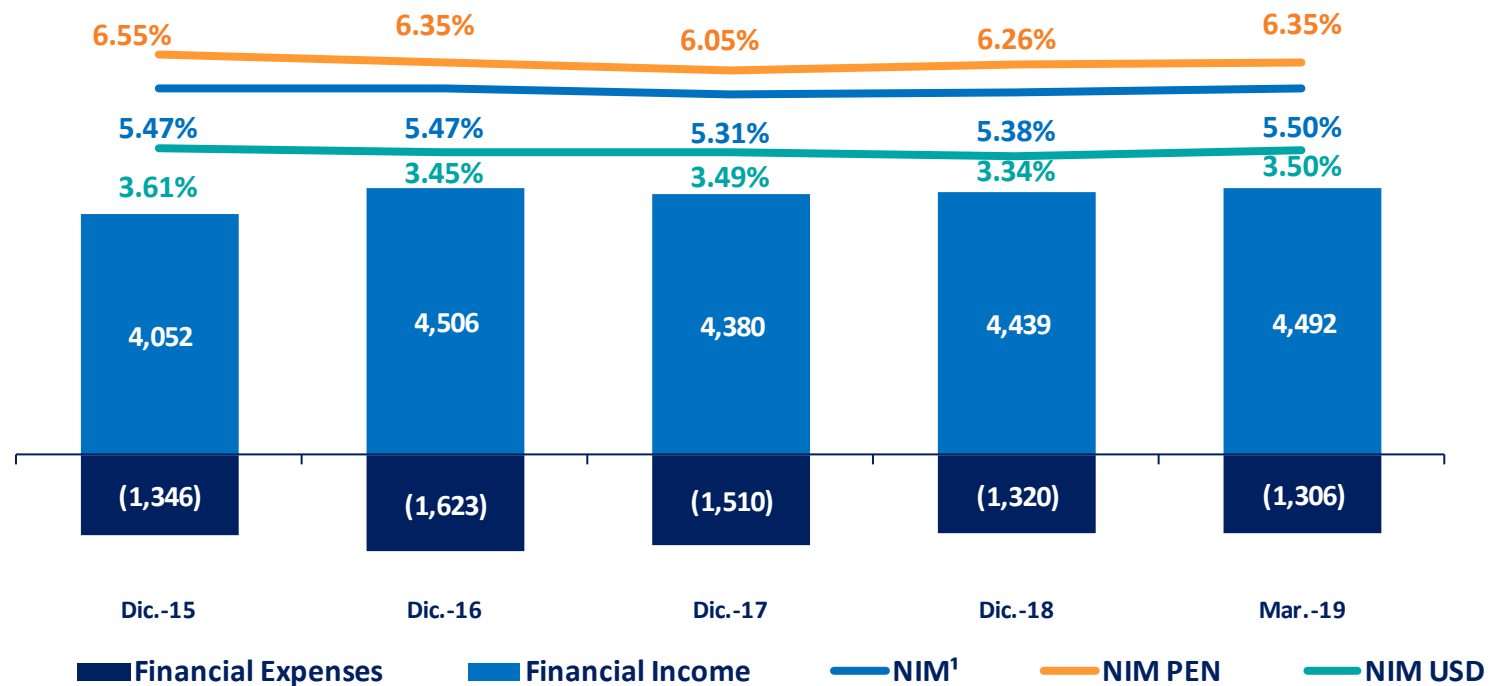
	Mar-19	Mar-18	%
<b>Gross Financial Margin</b>	<b>825</b>	<b>727</b>	<b>13.5</b>
Provisions for direct loans	(201)	(176)	14.1
<b>Net Financial Margin</b>	<b>624</b>	<b>551</b>	<b>13.3</b>
Income from financial services	282	264	7.0
Expenses from financial services	(94)	(85)	10.6
Gain / Loss From Financial Operations (ROF)	166	149	11.1
<b>Operating Margin</b>	<b>978</b>	<b>879</b>	<b>11.3</b>
Administrative expenses	(391)	(377)	3.7
Depreciation and amortization	(45)	(35)	29.3
<b>Net Operating Margin</b>	<b>542</b>	<b>467</b>	<b>16.1</b>
Asset valuation and other provisions	(45)	3	-1586.5
Other Income and Expenses	(1)	(3)	-77.8
<b>Profit / Loss Before Income Tax</b>	<b>496</b>	<b>466</b>	<b>6.3</b>
Income tax	(140)	(133)	5.6
<b>Net Profit</b>	<b>356</b>	<b>334</b>	<b>6.6</b>



<sup>1</sup> Includes administrative expenses, depreciation and amortization

<sup>2</sup> Includes asset valuation, other provisions, and other income and expenses

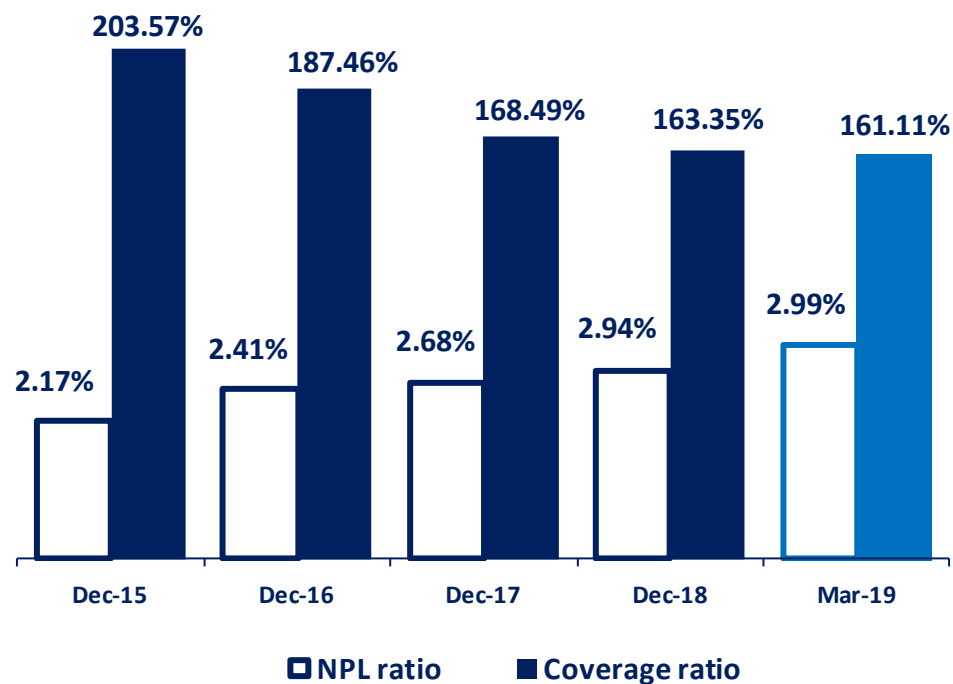
# Gross Financial Margin (S/ Million,%)



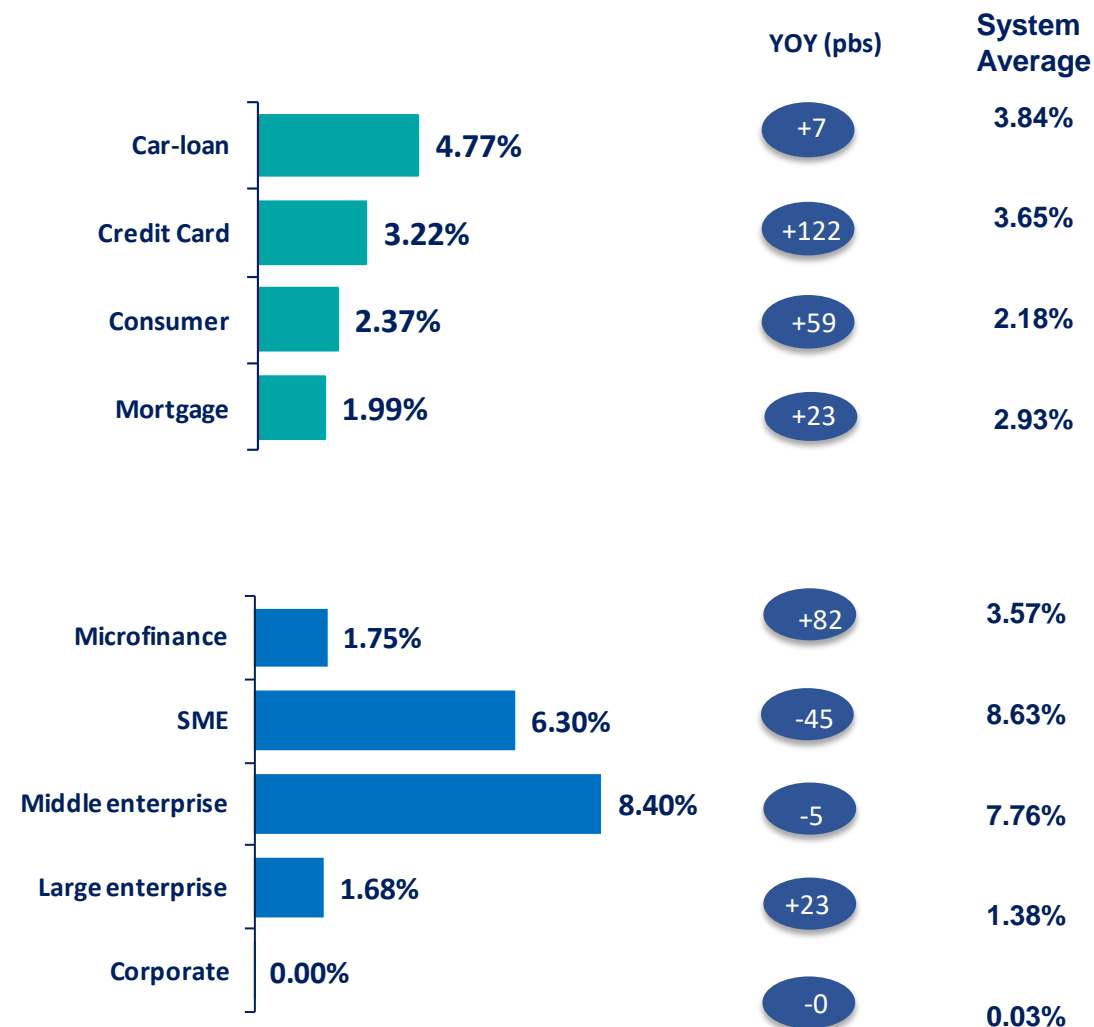
<sup>1</sup> NIM ratio: Gross financial margin for the last 12 months divided by average interest earning assets (interbank funds, investments, net loans).

# Risk Management

Outstanding Asset quality (March 2019)

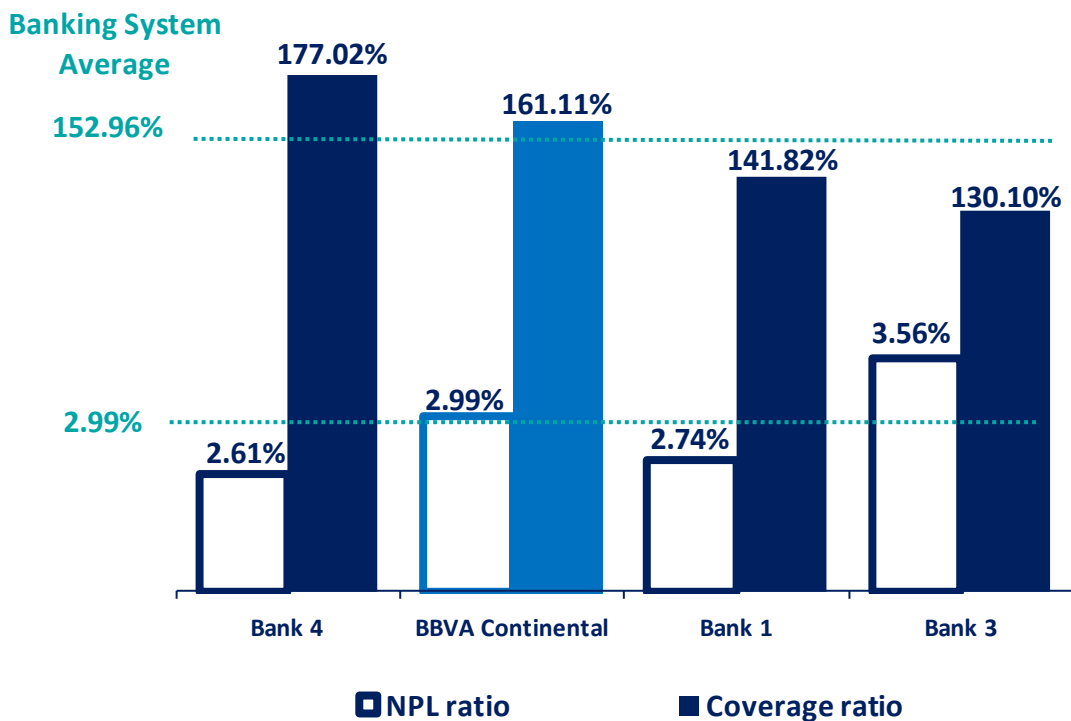


NPL Ratio by Product and Segment (March 2019)

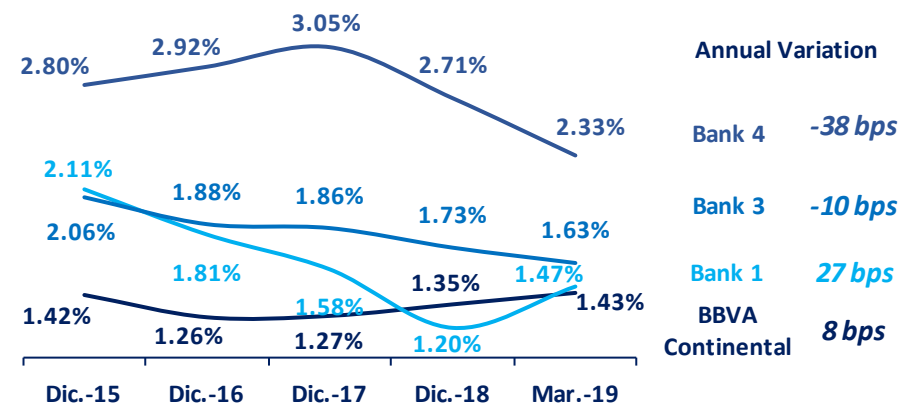


# Risk Management

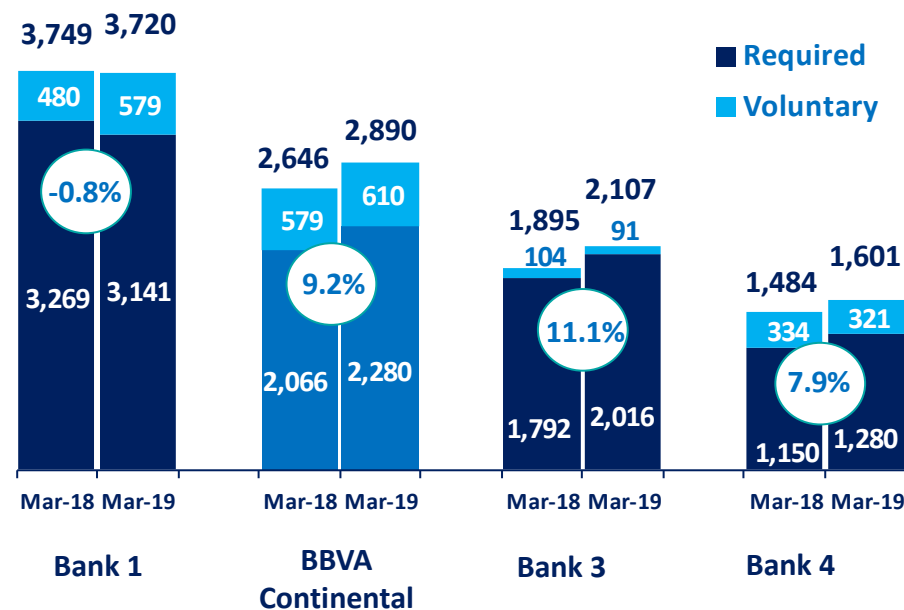
## NPL Ratio & Coverage Ratio (March 2019)



## Best Cost of Risk<sup>1</sup> vs. Peer Group



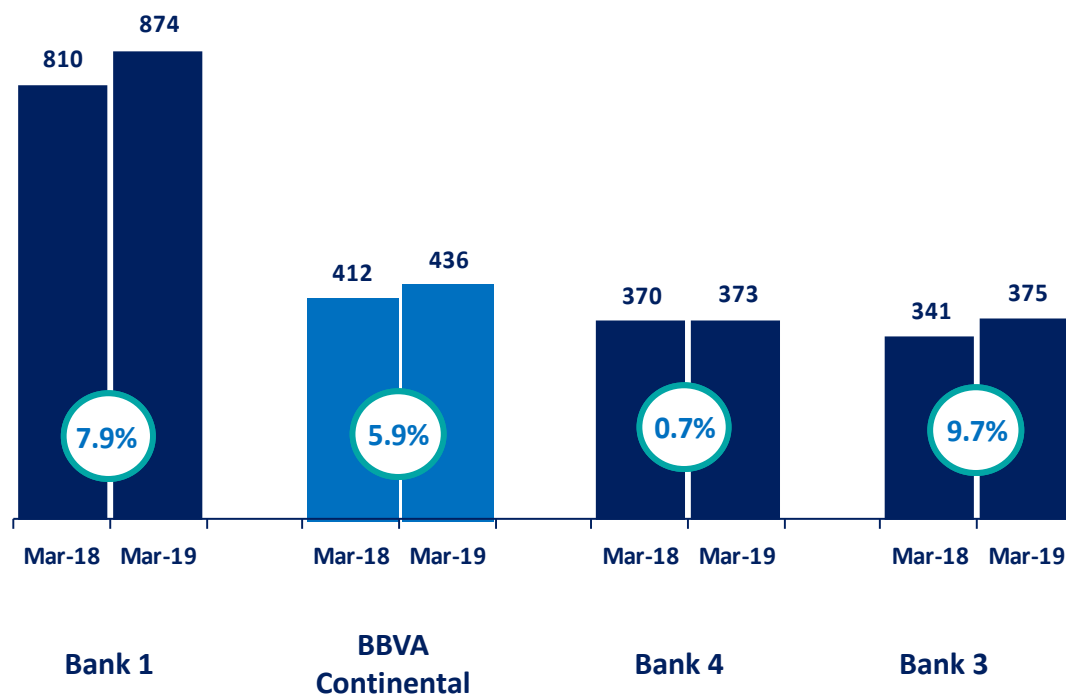
## Maintaining High Levels of Voluntary Provisions (S/ Million)



<sup>1</sup>Risk Cost: Provisions for the last 12 months between average loans from the last 12 months. Source: SBS

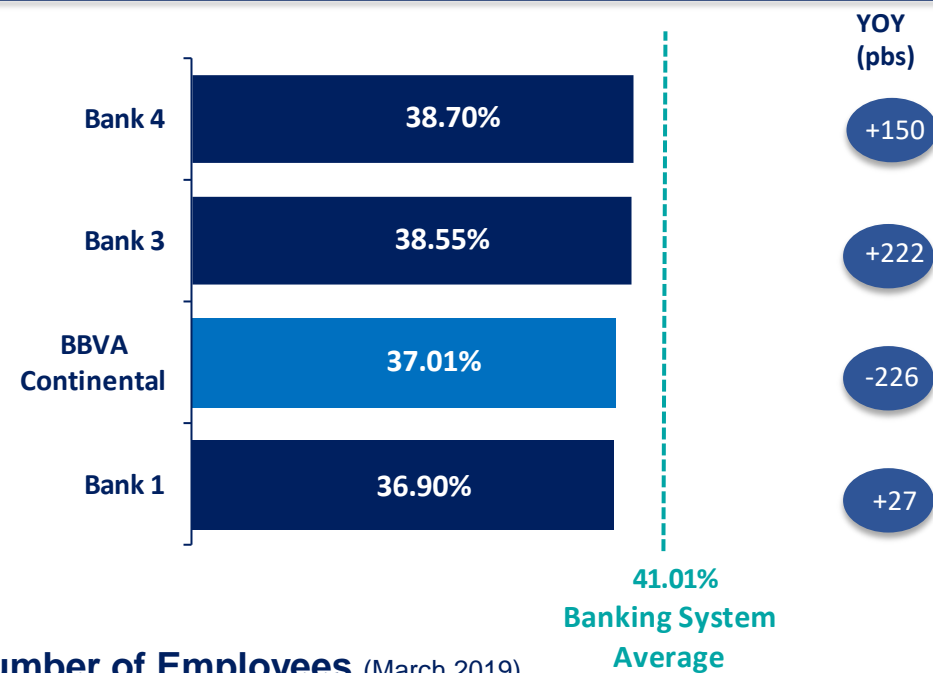
# Expenses Management

## Administrative Expenses <sup>1</sup> (\$/ Million, %)

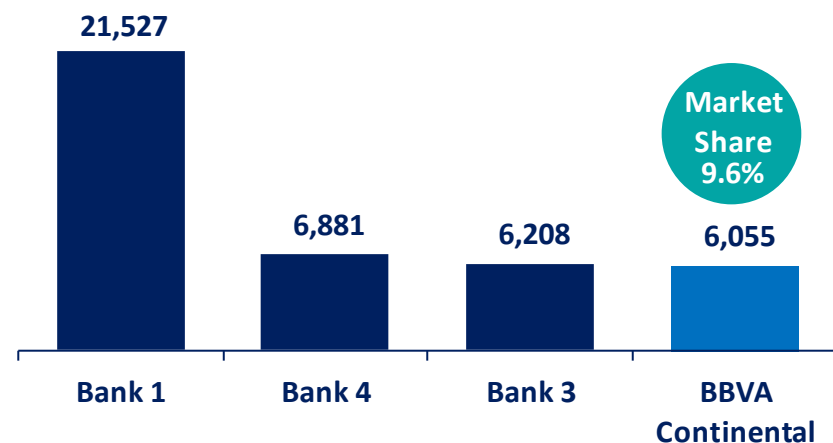


<sup>1</sup> Includes Amortization and Depreciation  
Source: SBS

## Efficiency Ratio (March 2019)

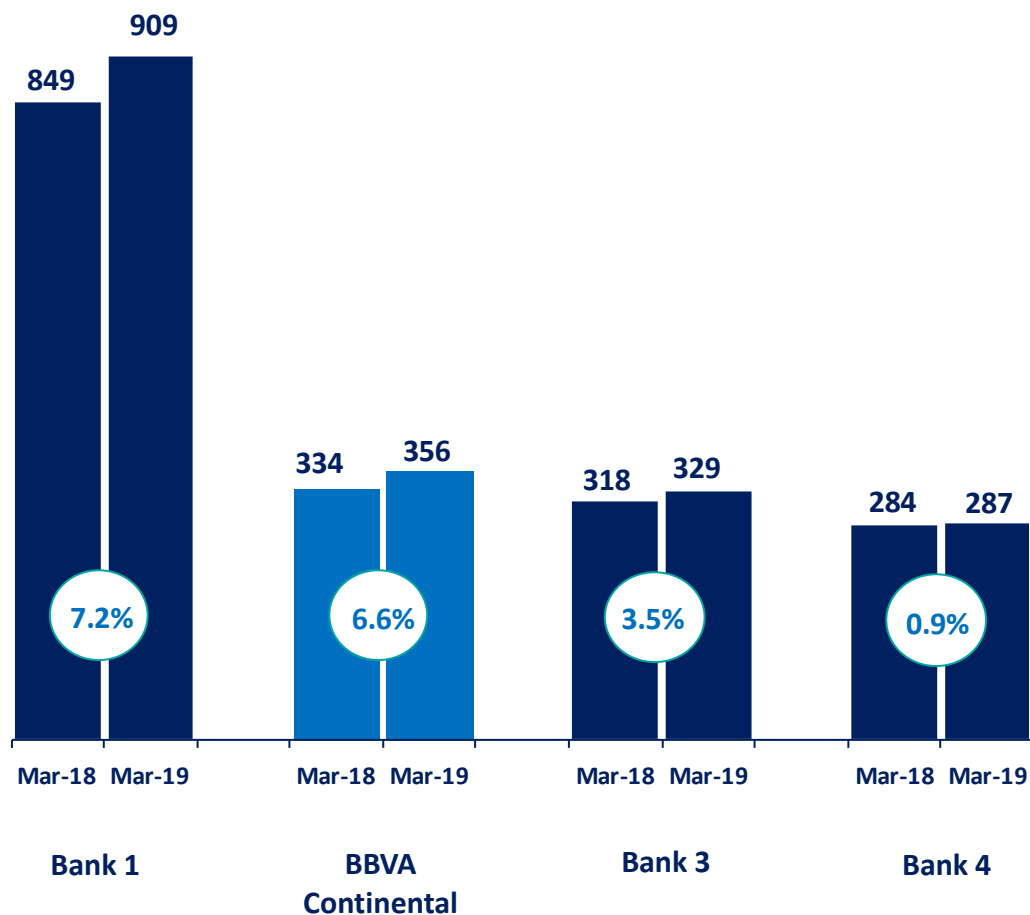


## Number of Employees (March 2019)

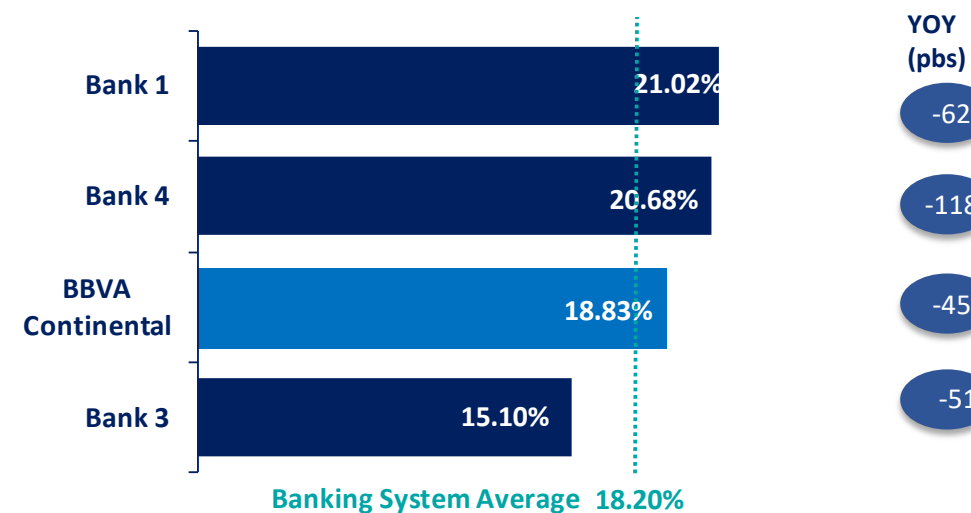


# Profitability Management

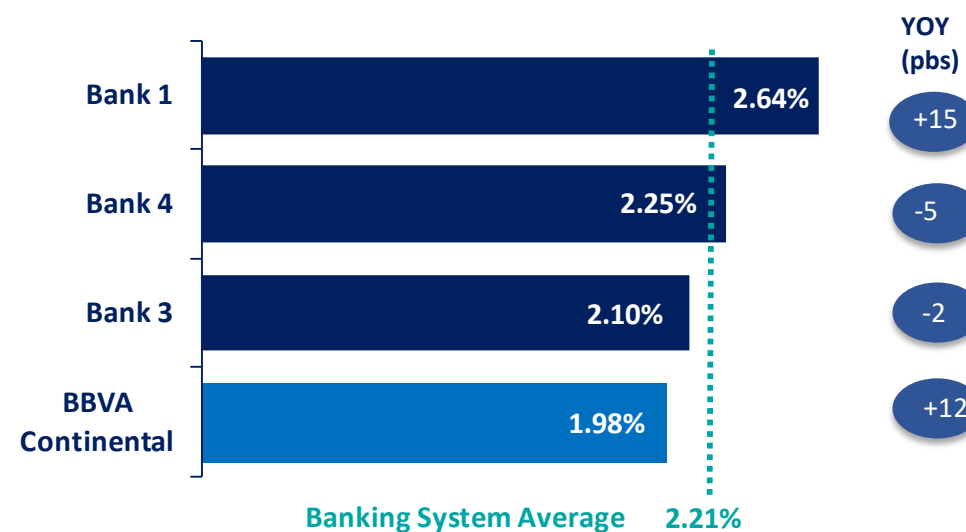
Net Profit (S/ Million, %)



Return on Equity – ROE (March 2019)



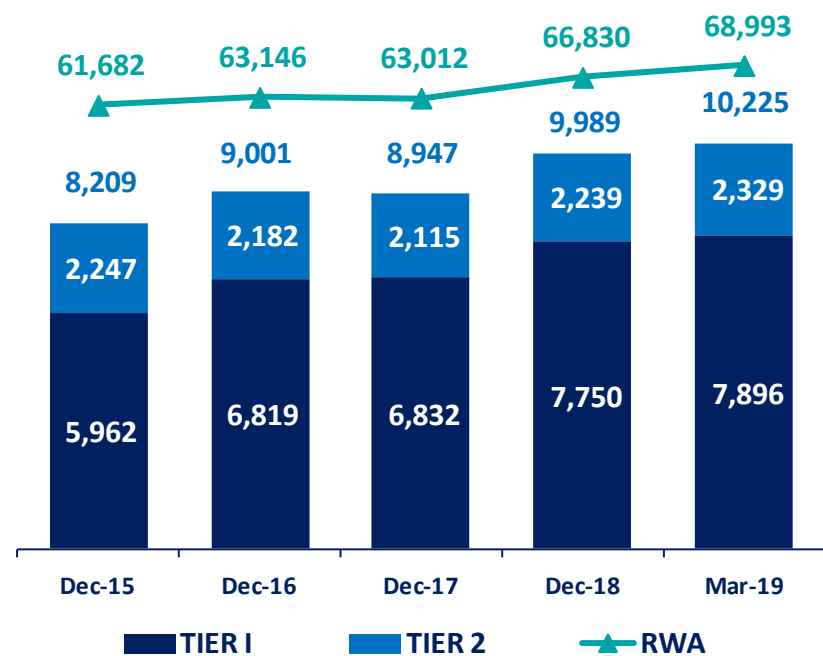
Return on Assets – ROA (March 2019)



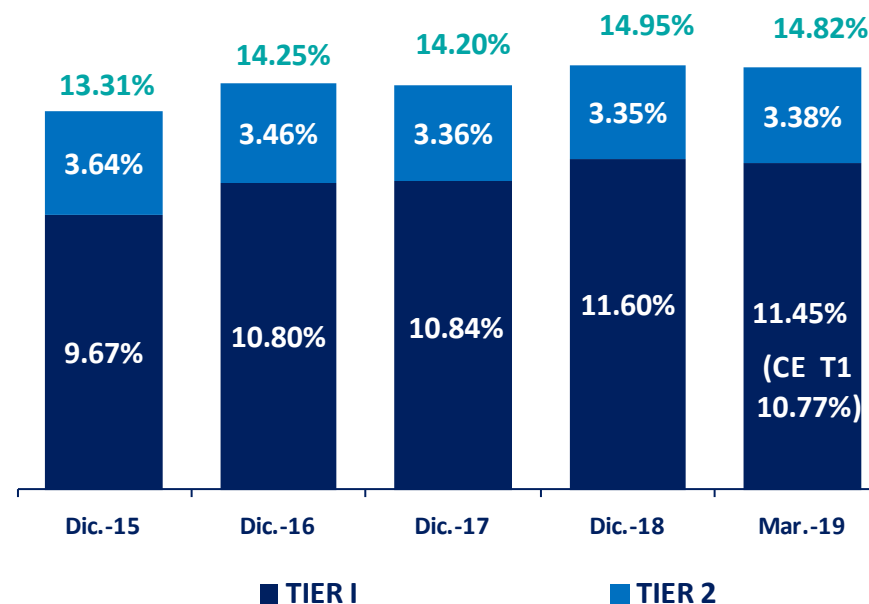


# Solvency Management

Regulatory capital & RWA (S/ Million)



Capital Ratios





04

Ratings

# International & Local Rating

Rating agencies have granted BBVA Continental the best international and local ratings

(March 2019)

Instrument	Fitch Ratings	Standard & Poors
Foreign currency long term issuances	BBB+	BBB+
Foreign currency short term issuances	F2	A-2
Local currency long term issuances	BBB+	BBB+
Local currency short term issuances	F2	A-2
Outlook	Estable	Estable

Instrument	Apoyo & Asociados	Equilibrium	PCR
Negotiable Certificate of Deposits (CD)	CP - 1 + (pe)	EQL 1+ pe	PE1+
Short term deposits	CP - 1 + (pe)	EQL 1 + pe	PECategoría I
Term deposits > 1 year	AAA (pe)	AAA.pe	PEAAA
Corporate bonds	AAA (pe)	AAA.pe	PEAAA
Subordinated bonds	AA+ (pe)	AA+.pe	PEAA+
Leasing bonds	AAA (pe)	AAA.pe	PEAAA
Common shares	1a (pe)	1a Clase.pe	PEN1
Issuer rating	A+	A+	PEA+

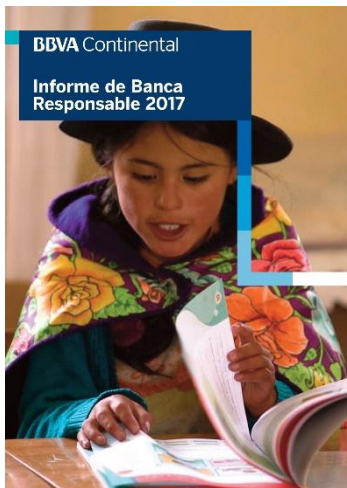


05

## Social Responsibility and Awards

# The Bank maintains its commitment to society and it is highly regarded in the market

## SOCIAL RESPONSIBILITY



Social, Economical and Environmental Responsibility Report

Reading Program:  
“Leer es estar adelante”



BBVA Continental is part of the Best Corporate Governance Principle's Index of companies.

## AWARDS



Best Digital Bank 2017

IRENE

Most recommended Bank 2017



Felicitemos a las 10 empresas más admiradas del Perú



PERÚ GOLDEN AWARDS 2018



Best Investment Bank in Perú (local issuances)

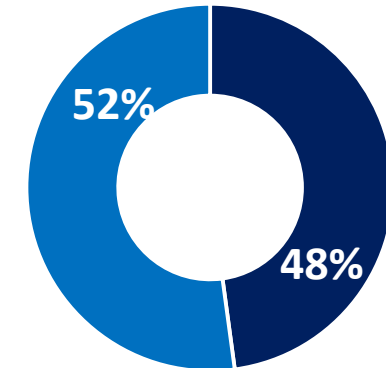


# Appendix

Debt Issuances

# Debt Issuances

	Bond	Issue Date	Call Date	Due Date	Currency	Issued Amount (m)	Coupon Rate	ISIN
International	Corporate	Ago-12	-	Ago-22	USD	500,000	5.00%	US05537GAA31-USP16260AA28
	Subordinated	Set-14	Set-24	Set-29	USD	300,000	5.25%	US05537GAD79-USP16236AG98
Local	Subordinated	May-07	May-22	May-27	USD	20,000	6.00%	PEP11600D029
	Subordinated	Jun-07		Jun-32	PEN	55,000	3.47%	PEP11600D037
	Subordinated	Nov-07		Nov-32	PEN	50,000	3.56%	PEP11600D052
	Subordinated	Feb-08		Feb-28	USD	20,000	6.47%	PEP11600D060
	Subordinated	Jul-08		Jul-23	PEN	45,000	3.06%	PEP11600D078
	Subordinated	Set-08		Set-23	PEN	50,000	3.09%	PEP11600D086
	Subordinated	Dic-08		Dic-33	PEN	30,000	4.19%	PEP11600D094
	Corporate	Ago-10		Ago-20	PEN	40,000	7.19%	PEP11600M145
	Corporate	Ago-10		Ago-20	PEN	80,000	7.22%	PEP11600M152
	Corporate	Dic-11		Dic-26	PEN	150,000	7.47%	PEP11600M186
	Subordinated	Oct-13	Oct-23	Oct-28	USD	45,000	6.53%	PEP11600D102
	Corporate	Abr-16		Abr-19	PEN	150,000	6.19%	PEP11600M210
	Corporate	Abr-16		Abr-19	PEN	100,000	6.19%	PEP11600M228
	Corporate	Jun-16		Jun-21	PEN	150,000	6.28%	PEP11600M236
	BAF	Oct-16		Oct-19	PEN	205,100	5.47%	PEP11600K057
	BAF	Ene-17		Ene-20	PEN	200,000	6.03%	PEP11600K065
	Corporate	Nov-17		Nov-20	PEN	350,000	4.78%	PEP11600M244
	BAF	Dic-17		Dic-20	PEN	158,000	4.63%	PEP11600K073
	Corporate	Jun-18		Jun-21	PEN	132,425	4.44%	PEP11600M251
	Corporate	Jun-18		Jun-21	PEN	69,435	4.50%	PEP11600M269
	Corporate	Jul-18		Jul-23	PEN	100,000	5.53%	PEP11600M277
	Corporate	Ago-18		Ago-23	PEN	73,465	5.63%	PEP11600M285
Corporate	Set-18		Set-21	PEN	70,000	4.78%	PEP11600M293	



■ Local ■ International

Total Debt	S/ MM	%
Local	2,740	48%
International	2,936	52%
<b>Total</b>	<b>5,677</b>	<b>100%</b>

# BBVA CONTINENTAL

## Investors Report

First Quarter 2019

BBVA Continental