

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

Consolidated Financial Statements

March 31, 2019 and December 31, 2018

(TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN SPANISH)

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BBVA BANCO CONTINENTAL AND SUBSIDIARIES

Consolidated Statement of Financial Position
As of March 31, 2019 and December 31, 2018

<i>In thousands of soles</i>	<i>Note</i>	2019	2018	<i>In thousands of soles</i>	<i>Note</i>	2019	2018
Assets				Liabilities and equity			
Cash and due from banks	4	14,193,958	12,934,941	Obligations to the public and deposits from financial system entities	11	54,777,083	51,007,523
Investments at fair value through profit or loss and available-for-sale	5	7,928,969	6,540,074	Interbank funds		670,658	817,265
Loan portfolio, net	6	53,606,161	52,015,135	Borrowings and financial obligations	12	9,182,811	10,370,961
Trading derivatives	7	416,902	457,876	Trading derivatives	7	304,451	348,759
Hedging derivatives	7	954	1,439	Hedging derivatives	7	146,461	197,492
Realizable assets and assets seized and recovered through legal actions		233,635	248,430	Provisions and other liabilities	13	7,311,937	3,888,505
Investments in associates	8	14,961	13,758	Total liabilities		72,393,401	66,630,505
Property, furniture and equipment, net	9	920,463	940,176	Equity	14		
Deferred tax		366,149	365,444	Capital Stock		5,885,209	5,368,602
Other assets, net	10	2,621,404	1,460,156	Additional capital		-	-
Goodwill		5,289	5,289	Reserves		1,669,637	1,522,035
				Adjustments to equity		10,239	(7,996)
				Retained earnings		350,359	1,469,572
Total assets		80,308,845	74,982,718	Total equity		7,915,444	8,352,213
Risks and contingent commitments	16	26,549,641	26,237,810	Total liabilities and equity		80,308,845	74,982,718
				Contingent risks and commitments		26,549,641	26,237,810

The accompanying notes on pages 6 to 27 are part of these consolidated financial statements.

BBVA BANCO CONTINENTAL AND SUBSIDIARIES
Consolidated Statement of Income
For the three-month period ended March 31, 2019 and 2018

<i>In thousands of soles</i>	<i>Note</i>	2019	2018
Interest income	15	1,170,669	1,079,535
Interest expenses	16	(333,728)	(342,524)
Gross financial income		836,941	737,011
Provisions for direct loans, net of recoveries		(203,834)	(180,379)
Net financial income		633,107	556,632
Income from finance services, net	17	191,683	183,861
Financial income net of revenue and expenses for financial services		824,790	740,493
Profit or loss from financial operations		164,702	139,669
Operating margin		989,492	880,162
Administrative expenses	18	(399,671)	(384,065)
Depreciation and amortization		(45,483)	(35,567)
Net operating margin		544,338	460,530
Valuation of assets and provisions		(42,739)	3,917
Operating profit		501,599	464,447
Other expenses, net		640	7,089
Profit before tax		502,239	471,536
Income tax		(145,430)	(138,272)
Net profit		356,809	333,264
Basic and diluted earnings per share in soles	19	0.061	0.057
Weighted average number of shares outstanding (in thousands of shares)	19	5,885,209	5,885,209

The accompanying notes on pages 6 to 27 are part of these consolidated financial statements.

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

Consolidated Statement of Income and Other Comprehensive Income
For the three-month period ended March 31, 2019 and 2018

<i>In thousands of soles</i>	2019	2018
Net profit	356,809	333,264
Other comprehensive income:		
Gain on available-for-sale investments	16,862	5,344
Cash flow hedges	2,283	1,949
Other comprehensive income for investment in associates	(63)	5
Income tax related to the components of other comprehensive income	(847)	601
Other comprehensive income for the period, net of income tax	18,235	7,899
Total comprehensive income for the period	375,044	341,163

The accompanying notes on pages 6 to 27 are part of these consolidated financial statements.

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

 Consolidated Statement of Changes in Shareholders' Equity
 For the three-month period ended March 31, 2019 and 2018

<i>In thousands of soles</i>	Number of shares (note 14.B)	Stock capital (note 14.B)	Additional capital (note 14.B)	Reserves		Adjustments to equity (note 14.E)	Retained earnings (note 14.D)	Total equity
				Legal (note 14.C)	Voluntary			
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	-	-	-	-	-	-	333,264	333,264
Other comprehensive income:								
Net unrealized gain on available-for-sale investments						6,520		6,520
Net unrealized loss on cash flow hedging derivatives						1,374		1,374
Other comprehensive income for investment in associates						5		5
Total comprehensive income for the period						7,899	333,264	341,163
Changes in equity (not included in comprehensive income):								
Dividends	-	-	-	-	-	-	(762,901)	(762,901)
Capitalization of retained earnings	-	-	485,483	-	-	-	(485,483)	-
Transfers to reserves and other movements	-	-	-	138,709	-	-	(139,594)	(885)
Balance as of March 31, 2018	4,883,119	4,883,119	485,483	1,521,788	-	14,286	331,972	7,236,648
Balance as of January 1, 2019	5,368,602	5,368,602	-	1,522,035	-	(7,996)	1,469,572	8,352,213
Net profit	-	-	-	-	-	-	356,809	356,809
Other comprehensive income:								
Net unrealized gain on available-for-sale investments						16,689		16,689
Net unrealized gain on cash flow hedging derivatives						1,609		1,609
Other comprehensive income for investment in associates						(63)		(63)
Total comprehensive income for the period						18,235	356,809	375,044
Changes in equity (not included in comprehensive income):								
Dividends							(811,812)	(811,812)
Capitalization of retained earnings	516,607	516,607	-				(516,608)	(1)
Transfers to reserves and other movements				147,602			(147,602)	-
Balance as of March 31, 2019	5,885,209	5,885,209	-	1,669,637	-	10,239	350,359	7,915,444

The accompanying notes on pages 6 to 27 are part of these consolidated financial statements.

BBVA BANCO CONTINENTAL AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the three-month period March 31, 2019 and 2018

<i>In thousands of soles</i>	2019	2018
Reconciliation of net profit with cash and cash equivalent from operating activities:		
Net profit	356,809	333,264
Adjustments	1,197,343	345,597
Depreciation and amortization	45,482	35,567
Provisions	246,574	174,857
Other adjustments	905,287	135,173
Net changes in assets and liabilities:	637,401	(1,273,718)
Net decrease in assets	(3,561,125)	(1,391,457)
Loans	(1,971,419)	(292,639)
Available-for-sale investments	(508,490)	(750,839)
Other accounts receivable and others	(1,081,216)	(347,979)
Net increase in liabilities	4,198,526	117,739
Non-subordinated financial liabilities	1,956,219	348,497
Accounts payable and others	2,242,307	(230,758)
Profit or loss for the period after net changes in assets, liabilities and adjustments	2,191,553	(594,857)
Paid current tax	(389,137)	185,516
Net cash flows from operating activities	1,802,416	(409,341)
Cash flows from investing activities:		
Sale of intangible assets and property, furniture and equipment	(32,179)	(10,092)
Other inflows related to investing activities	8,326	4,987
Net cash flows used in investing activities	(23,853)	(5,105)
Cash flows from financing activities:		
Dividends paid	97	410
Net cash flows used in financing activities	97	410
Net increase (Net decrease) of cash and cash equivalent before the effect of exchange rate fluctuations	1,778,660	(414,036)
Effect of exchange rate fluctuations on cash and cash equivalents	(71,366)	(27,972)
Net increase (Net decrease) in cash and cash equivalents	1,707,294	(442,008)
Cash and cash equivalents at beginning of period	15,325,466	16,654,502
Cash and cash equivalents at end of period	17,032,760	16,212,494
Guarantee funds	1,626,276	4,175,640
Interbank funds	-	(85,026)
Investments with a maturity of less than 90 days	(4,465,078)	(5,470,809)
CASH AND DUE FROM BANKS AS PER THE STATEMENT OF CONSOLIDATED FINANCIAL POSITION	14,193,958	14,832,299

The accompanying notes on pages 6 to 27 are part of these consolidated financial statements.

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

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

1. Reporting Entity

A. Background

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

On March 27, 2019, the General Shareholders' Meeting approved the modification of the legal name of the Bank, by Banco BBVA Peru, it should be noted that such change is pending authorization by Superintendencia de Banca Seguros y Administradoras Privadas de Fondos de Pensiones (Superintendence of Banking, Insurance and Pension Funds Administrators, hereinafter 'SBS').

B. Economic activity

The Bank is a public corporation established in 1951, and it was authorized to operate as a banking entity by SBS).

The Bank's operations mainly comprise financial intermediation, which consists of full-functional banking activities that are regulated by SBS through the Ley General del Sistema Financiero y del Sistema de Seguros y Orgánica de la SBS, Law N° 26702 and its amendments (hereinafter 'the Banking Law'). This law establishes the requirements, rights, obligations, guarantees, restrictions, and other operating conditions that legal entities operating in the financial and insurance system are subject to.

The Bank's legal domicile and headquarters address is Av. República de Panamá N° 3055, San Isidro.

As of March 31, 2019 and December 31, 2018, the Bank develops activities through a national network of 332 offices. As of March 31, 2019 and December 31, 2018, the total number of employees of the Bank is 6,004 and 6,130, 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. and Forum Distribuidora del Perú S.A. Although the Bank does not have any equity interest in capital, nor the voting rights over Continental DPR Finance Company (DPR), given the characteristics of its corporate purpose and its relationship with the Bank, the accounting standards that regulate the Bank require that the financial statements of DPR be included on the consolidated basis with those of the Bank (all these companies shall be hereinafter referred to as 'Continental Group').

It should be noted that the following subsidiaries, Continental Bolsa Sociedad SA S.A., Sociedad Administradora de Fondos, and Continental Sociedad Titulizadora S.A. have changed their legal name to BBVA Bolsa Sociedad Agente de Bolsa S.A., BBVA Asset Management S.A. SAF and BBVA Sociedad Titulizadora S.A., respectively. These changes are pending registration in the Peruvian register of legal persons.

C. Approval of the consolidated financial statements

The Bank's management approved the consolidated financial statements as of March 31, 2019.

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

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

D. Reclassifications

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

Consolidated Statement of Changes in Equity for the period ended March 31, 2018.
For comparative purposes, S/ 0.5 million loss has been reclassified from "Other comprehensive income for investment in associates" to "Net unrealizable gain on available for sale investment".

Consolidated Statement of Cash Flows for the period ended March 31, 2018

<i>In thousands of soles</i>	Balances without reclassification	Reclassification	Reclassified balances
Net changes in assets and liabilities:			
Investments at fair value through profit or loss	(448,917)	448,917	-
Available-for-sale investments	(1,048,187)	297,348	(750,839)
Accounts receivable and others	(541,657)	193,678	(347,979)
Profit or loss for the period after net changes in assets, liabilities and adjustments	(1,534,800)	939,943	(594,857)
Net cash and cash equivalents from operating activities	(1,349,284)	939,943	(409,341)
Other inflows related to investing activities	10,275	(5,288)	4,987
Net cash flows from investing activities	183	(5,288)	(5,105)
Net decrease in cash and cash equivalents before the effect of exchange rate fluctuations	(1,348,691)	934,655	(414,036)
Net decrease in cash and cash equivalents	(1,376,663)	934,655	(442,008)
Cash and cash equivalents at the beginning of the period	13,779,136	2,875,366	16,654,502
Cash and cash equivalents at the end of the period	12,402,473	3,810,021	16,212,494
Guarantee funds	4,159,230	16,410	4,175,640
Investments with a maturities or trading less than 90 days	(1,644,378)	(3,826,431)	(5,470,809)

2. Basis of Preparation of the Consolidated Financial Statements

A. Statement of compliance

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

B. Basis of consolidation

The consolidated financial statements include the financial statements of companies, stated in note 1, that comprise 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 March 31, 2019 and as of December 31, 2018:

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

<i>In millions of Soles</i>	Assets		Liabilities		Equity	
	2019	2018	2019	2018	2019	2018
Entity						
BBVA Banco Continental	80,269	74,980	72,348	66,621	7,921	8,359
Continental Bolsa Sociedad Agente de Bolsa S.A.	48	398	32	376	16	22
BBVA Asset Management Continental S.A. SAF	66	65	39	6	27	59
Continental Sociedad Titulizadora S.A.	5	4	1	-	4	4
Inmuebles y Recuperaciones Continental S.A.	162	159	4	3	158	156
Continental DPR Finance Company	185	202	185	202	-	-
BBVA Consumer Finance Edpyme	457	517	373	443	84	74
Forum Comercializadora S.A.	2	2	-	-	2	2
Forum Distribuidora S.A.	180	174	159	155	21	19

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.

Fundamentals errors:

Fundamental errors in the preparation of the consolidated financial statements of previous years corrected in the current year are retrospectively recognized by restating the initial balances of the assets, liabilities, and equity accounts, as applicable. Find below the errors of the previous years, related to the following subsidiaries:

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

4. Cash and due from banks

As of March 31, 2019 and December 31, 2018 cash and due from banks include approximately US\$ 1,123 and S/ 1,679 million (US\$ 1,904 and S/ 1,649 million as of December 31, 2018), which correspond to the required reserve that Peruvian entities must maintain for deposits and obligations to the public. These funds are deposited in the entities vaults or in Banco Central de Reserva del Perú (hereinafter 'BCRP').

As of March 31, 2019 and December 31, 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) as required by BCRP.

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

Notes to the Consolidated Financial Statements
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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 March 31, 2019 and December 31, 2018 cash and due from banks includes guarantee funds supports foreign currency repurchase agreements with the BCRP for US\$ 406 million (US\$ 255 million as of December 31, 2018).

As of March 31, 2019 and December 31, 2018 cash and due from banks includes guarantee funds for operations with derivative financial instruments for S/ 272 million and S/ 342 million, respectively.

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

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

<i>In thousands of soles</i>	2019	2018
Investments at fair value through profit or loss:		
BCRP certificates of deposit (a)	3,735,671	2,643,161
Sovereign Bonds of the Republic of Peru (b)	319,604	319,160
Bonds of the US Treasury	39,176	-
Mutual funds (d)	36,453	39,007
	4,130,904	3,001,328
Available-for-sale investments:		
BCRP certificates of deposit (a)	1,623,977	2,009,549
Sovereign Bonds of the Republic of Peru (b)	1,468,781	1,148,839
Bills of exchange of the US Treasury (c)	492,269	167,868
Corporate bonds (c)	175,024	174,447
Shares in local companies (e)	37,004	37,033
Shares in foreign companies	1,010	1,010
	3,798,065	3,538,746
	7,928,969	6,540,074

- (a) BCRP certificates of deposit are securities freely negotiable with a maturity until March 2020 (August 2019, as of December 31, 2018); they are acquired through BCRP public bids and traded in the Peruvian secondary market, as of March 31, 2019, S/ 1,414 million are compromised in repurchase agreements.

As of March 31 2019, the annual interest in local currency generated by these certificates fluctuates between 2.55% and 2.75% (between 2.52% and 2.78% as of December 31, 2018).

- (b) Peruvian Public Treasury Bonds include sovereign bonds of the Republic of Peru in local currency and global bonds in foreign currency, both issued by the Ministry of Economy and Finance of Peru (MEF), which represent internal public debt instruments of the Republic of Peru. Of the balance of these instruments as of March 31, 2019, S / 524 million are committed to repurchase agreement transactions (S / 526 million as of December 31, 2018).

As of March 31, 2019, these bonds accrue interest at annual rates ranging from 1.50% to 5.86% (between 1.50% and 6.50% as of December 31, 2018) in local currency with maturities until August 2037(February 2055, as of December 31, 2018). The rate in foreign currency is 6.61% with a maturity until March 2019.

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

- (c) As of March 31, 2019, part of the sovereign bonds, corporate bonds and Bills of exchange of the US Treasury, in foreign currency has a cash flow hedge (note 7(ii)).
- (d) As of March 31, 2019 and December 31, 2018, the investment in mutual funds corresponds to the participation quotes held by BBVA Asset Management Continental S.A. and Inmuebles y Recuperaciones Continental S.A.; in different mutual funds, BBVA Asset Management manages.
- (e) As of March 31, 2019 and December 31, 2018, it mainly includes shares of Bolsa de Valores de Lima (BVL) for S/ 36 million for both periods.

6. Loan Portfolio, Net

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

<i>In thousands of soles</i>	2019		2018	
Direct loans:				
Loans	19,195,411	36%	18,785,579	37%
Mortgage loans	12,357,267	23%	12,301,459	24%
Consumer loans	6,040,906	12%	5,985,749	12%
Foreign trade	5,917,839	11%	5,420,179	10%
Finance lease	4,144,071	8%	4,240,729	8%
Discounts	1,231,092	2%	1,230,118	2%
Others	4,354,593	8%	3,721,252	7%
	53,241,179	100%	51,685,065	100%
Past due and under legal collection loans	1,682,454	3%	1,607,406	2%
Refinanced loans	1,082,803	2%	1,087,051	2%
	56,006,436	105%	54,379,522	104%
Plus (less):				
Accrued interest	372,086	1%	321,095	1%
Non-accrued interest	(56,504)	-	(55,288)	-
Allowance for loan losses	(2,715,857)	(6%)	(2,630,194)	(5%)
	53,606,161	100%	52,015,135	100%
Contingent loans	15,308,176		15,477,765	

Loans secured by guarantees received from customers, mainly composed by mortgages, deposits, letters of guarantee, guarantees, warrants and financial lease operations, amount to S/ 39,466 million as of March 31, 2019 (S/ 37,184 million as of December 31, 2018).

As of March 31, 2019, part of the mortgage loan portfolio guarantees a debt with Fondo MIVIVIENDA – Programa MIHOGAR for up to S/ 456 million (S/ 460 million as of December 31, 2018).

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

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Notes to the Consolidated Financial Statements

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	2019		2018	
	Local currency	Foreign currency	Local currency	Foreign currency
<i>Active operations</i>				
Loans and discounts	7.74	5.63	7.70	5.69
Mortgage loans	7.75	6.78	7.78	6.84
Consumer loans	25.22	29.98	25.50	29.45

As of March 31, 2019 and December 31, 2018 the outstanding balance of the direct credit portfolio segmented by type of client in accordance with Resolution SBS N° 11356-2008, is as follows:

<i>In thousands of soles</i>	2019		2018	
Mortgage loans	12,838,436	23%	12,765,478	24%
Corporate	12,012,465	21%	10,177,388	19%
Medium business loans	11,800,473	21%	12,046,296	22%
Large business loans	9,721,343	17%	9,987,938	18%
Consumer loans	6,280,036	11%	6,183,591	11%
Small business loans	1,513,372	3%	1,411,110	3%
Public Sector Entities	908,989	2%	918,006	2%
Financial System Entities	477,873	1%	536,245	1%
Stock brokers	288,582	1%	183,874	-
Micro-business loans banks	87,867	-	92,595	-
Multilateral development	77,000	-	77,001	-
	56,006,436	100%	54,379,522	100%

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

<i>In thousands of soles</i>	2019		2018	
Mortgage and consumer loans	19,118,472	34%	18,949,069	35%
Commerce	9,382,392	17%	9,305,933	17%
Manufacture	8,473,674	15%	8,646,783	16%
Real estate, business and rental	4,465,689	8%	3,344,181	6%
Transportation, storage and communications	3,595,696	6%	3,202,268	6%
Mining	1,819,578	3%	1,492,798	3%
Agriculture and Livestock	1,534,607	3%	1,561,275	3%
Electricity, Gas and Water	1,186,404	2%	1,157,200	2%
Financial intermediation	1,157,716	2%	1,312,247	2%
Building	911,408	2%	952,964	2%
Others	4,360,800	8%	4,454,804	8%
	56,006,436	100%	54,379,522	100%

As of March 31, 2019 and 2018, the composition of the provision for doubtful of direct loans, net as shown in the consolidated income statement is as follows:

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<i>In thousands of soles</i>	2019	2018
Provisions	629,618	565,781
Recovery of provisions	(425,503)	(385,347)
Income from portfolio recovery	(281)	(55)
Provisions for direct loans, net of recoveries	203,834	180,379

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 March 31, 2019, the general provision for doubtful loans includes general voluntary and procyclical provisions of S/ 562 million (S/ 565 million as of December 31, 2018).

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 2019, the Bank sold a portfolio of S/ 41 million (S/ 242 million during 2018). The selling value amounted to S/ 3 million (S/ 25 million during 2018) and is presented in 'Profit or loss from financial operations' of the consolidated income statement.

7. Trading and Hedging Derivatives

As of March 31, 2019 and December 31, 2018, 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>	Underlying	Face	Assets	Liabilities
2019				
Trading derivatives				
Currency forwards		14,537,144	64,611	36,380
Share, currency and other options		1,325,981	10,204	10,204
Cross-currency swaps		4,304,300	301,204	216,405
Interest rate swaps		5,723,918	46,492	41,462
Provision for country risk		-	(5,609)	-
		25,891,343	416,902	304,451
Hedging derivatives				
At fair value (i)				
Currency swaps	Bond issuance	250,320	-	51,099
Interest rate swaps	Borrowings	1,269,135	-	29,073
Interest rate swaps	Bond issuance	2,654,400	-	61,379
Cash flows (ii)				
Interest rate swaps	Borrowings	61,620	954	-
Currency swaps	Borrowings	331,800	-	513
Currency swaps	Corporate Bond	33,180	-	460
Currency forwards	Corporate Bond	14,867	-	10
Currency forwards	US Treasury bill of exchange	499,719	-	3,927
		5,115,041	954	146,461
		31,006,384	417,856	450,912
2018				
Trading derivatives				
Currency forwards		12,667,235	53,911	49,556
Share, currency and other options		1,700,511	6,744	6,744
Currency swaps		4,908,918	335,101	251,091
Interest rate swaps		5,567,032	66,980	41,368
Provision for country risk		-	(4,860)	-
		24,843,696	457,876	348,759
Hedging derivatives				
At fair value (i)				
Currency swaps	Bond issuance	254,469	-	55,159
Interest rate swaps	Borrowings	1,298,605	-	33,000
Interest rate swaps	Bond issuance	2,698,400	-	102,039
Cash flows (ii)				
Interest rate swaps	Borrowings	67,460	1,439	-
Currency swaps	Sovereign Bonds of the Republic of Peru	118,055	-	3,767
Currency swaps	Corporate Bond	33,730	-	1,075
Currency forwards	Corporate Bond	15,114	-	278
Currency forwards	US Treasury bill of exchange	170,560	-	2,174
		4,656,393	1,439	197,492
		29,500,089	459,315	546,251

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Hedging derivatives at fair value

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

As of March 31, 2019, the Bank has contracted interest rate swaps (IRS) for a face value equivalent to S/ 3,924 million in order to hedge debts and issuance (S/ 3,997 million as of December 31, 2018). Through the IRS, the Bank receives a fixed rate in U.S. dollars and pays a floating rate in the same currency. In 2019, the total variability in the fair value of IRS resulted in a profit of S/ 42 million, included in 'Profit or loss from financial operations' of the consolidated statement of income (loss of S/ 21 million in 2018).

Cash flow hedging derivatives

- (ii) As of March 31, 2019, the Bank has contracted "interest rate swaps - IRS" for a nominal value equivalent to S/ 62 million for the hedging borrowings (S/ 67 million as of December 31, 2018). The Bank receives a variable interest in US dollars and pays a fixed interest in the same currency. As of A March 31, 2019, the change in the fair value of the IRS amounts to S/ 0.6 million gain, which is recorded in equity accounts (gain of S/ 1 million as of December 31, 2018).

As of March 31, 2019, the Bank has contracted a "currency swap - CSS" for a nominal value of S/ 365 million for the hedging of bonds recorded as available for sale investment and borrowings (US\$ 10 million of a corporate bond and US\$ 100 million of borrowings). For the corporate bond, through a "currency swap" the Bank receives a fixed interest in soles and pays a fixed interest in US dollars and for the borrowings the Bank receives a fixed interest in US dollars and pays a fixed interest in soles. As of March 31, 2019, the variation in the fair value of the CCS amounts to S/ 0.4 million loss, which is recorded in equity accounts (loss of S/ 3.7 million as of December 31, 2018).

As of March 31, 2019, the Bank has contracted a "currency forwards" for a nominal value of S/ 515 million for the hedging of bonds recorded as available for sale investment (US\$ 4.4 million of a corporate bond and US\$ 150 million of Bonds of the U.S. Treasury). Through a "currency forward" the Bank receives a fixed interest in soles and pays a fixed interest in US dollars. As of March 31, 2019, the variation in the fair value of the currency forward amounts to S/ 3.7 million loss, which is recorded in equity accounts (loss of S/ 2.3 million as of December 31, 2018).

8. Investments in Associates

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

<i>In thousands of soles</i>	2019	2018
Compañía Peruana de Medios de Pago S.A.C. (a)	11,853	9,487
TFP S.A.C. (b)	3,108	4,271
	14,961	13,758

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- (a) As of March 31, 2019 and December 31, 2018, 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 March 31, 2019 and December 31, 2018, 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
Cost								
Balance as of January 1, 2018	120,485	841,926	624,729	8,581	252,291	68,486	255	1,916,753
Additions	-	10,373	64,775	663	3,942	72,076	37	151,866
Adjustments and other	(2,261)	641	(18,445)	(680)	7,675	(22,405)	-	(35,475)
As of December 31, 2018	118,224	852,940	671,059	8,564	263,908	118,157	292	2,033,144
Additions	-	478	7,004	-	1	6,868	(36)	14,315
Adjustments and other	-	226,369	(533)	(477)	(226,380)	-	-	(1,021)
As of March 31, 2019	118,224	1,079,787	677,530	8,087	37,529	125,025	256	2,046,438
Depreciation								
Balance as of January 1, 2018	-	494,949	360,405	6,255	131,820	-	-	993,429
Additions	-	36,117	62,486	781	23,552	-	-	122,936
Impairment	-	-	-	-	5,220	-	-	5,220
Adjustments and other	-	(3,593)	(24,325)	(680)	(19)	-	-	(28,617)
As of December 31, 2018	-	527,473	398,566	6,356	160,573	-	-	1,092,968
Additions	-	10,739	16,681	196	5,696	-	-	33,312
Impairment	-	-	-	-	-	-	-	-
Adjustments and other	-	124,227	(531)	(477)	(123,524)	-	-	(305)
As of March 31, 2019	-	662,439	414,716	6,075	42,745	-	-	1,125,975
Net cost								
Balance as of March 31, 2019	118,224	417,348	262,814	2,012	(5,216)	125,025	256	920,463
Balance as of December 31, 2018	118,224	325,467	272,493	2,208	103,335	118,157	292	940,176

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

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10. Other Assets, Net

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

<i>In thousands of soles</i>	2019	2018
Transactions in progress (a)	2,059,854	944,090
Intangible assets, net of amortizations for S/ 69 million (S/ 58 million as of December 31, 2018)	297,558	290,665
Deferred charges (b)	143,251	121,792
Other accounts receivable	46,425	34,879
Tax credit, net of income tax	25,845	16,220
Tax credit (VAT) and other	22,936	26,020
Accounts receivable from the sale of goods, services and trust	5,124	4,927
Other	20,411	21,563
	2,621,404	1,460,156

- (a) Transactions in progress are operations carried out during the last days of the month and are reclassified in the following month to their definitive accounts in the consolidated statement of financial position. These transactions do not affect the profit or loss of Continental Group. As of March 31, 2019 and December 31, 2018, they include S/ 1,878 million and S/ 905 million related to Treasury transactions, respectively.
- (b) As of March 31, 2019 and December 31, 2018, deferred charges include mainly prepaid insurance and deferred loan origination fees, related to fees paid to external sales force.

11. Obligations to the public and deposits from Financial System Entities

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

<i>In thousands of soles</i>	2019	2018
Obligations to the public:		
Demand liabilities	19,020,809	18,134,256
Time deposits	17,860,219	14,548,264
Savings deposits	15,882,290	16,189,450
Other obligations	85,131	74,510
	52,848,449	48,946,480
Deposits from financial system entities:		
Demand liabilities	1,263,302	875,277
Time deposits	624,040	945,737
Savings deposits	41,292	240,029
	1,928,634	2,061,043
	54,777,083	51,007,523

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 March 31, 2019 and December 31, 2018 fluctuated as follows:

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	2019		2018	
	Local currency	Foreign currency	Local currency	Foreign currency
Checking accounts	0.00 – 0.25	0.00 – 0.125	0.00 – 0.25	0.00 – 0.125
Savings deposits	0.00 – 0.50	0.00 – 0.25	0.00 – 0.50	0.10 – 0.25
Time deposits and bank certificates	0.80 – 1.35	0.10 – 0.35	0.80 – 1.35	0.10 – 0.80
'Super depósito' bank account	0.80 – 1.35	0.10 – 0.25	0.80 – 1.35	0.10 – 0.25
Severance payment deposits	1.50 – 2.50	0.60 – 1.10	1.50 – 2.50	0.60 – 1.10

12. Borrowings and Financial Obligations

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

<i>In thousands of soles</i>	2019	2018
Borrowings and financial obligations:		
Foreign financial entities (a)	2,840,360	3,702,640
MIVIVIENDA – MIHOGAR Program – Borrowings to local financial system entities (b)	530,211	517,577
Corporación Financiera de Desarrollo – COFIDE	9,614	9,689
International financial institutions	-	337,300
Accrued interest payable	54,458	25,353
	3,434,643	4,592,559
Securities and bonds: (c)		
Corporate bonds	3,294,587	3,303,926
Subordinated bonds	1,558,058	1,561,330
Finance lease bonds	563,100	563,100
Notes (debt instruments)	167,322	182,497
Negotiable certificates of deposits	105,148	92,923
Accrued interest payable	59,953	74,626
	5,748,168	5,778,402
	9,182,811	10,370,961

Certain loan agreements include standard clauses of compliance with financial ratios, use of funds criteria and other administrative matters. In management's opinion, as of March 31, 2019 and December 31, 2018, these clauses are being adequately complied with and do not represent any restriction on the Continental Group's operations.

- (a) As of March 31, 2019 and December 31, 2018 the Continental Group's borrowings with foreign financial entities accrued interest at an annual average rate ranging from Libor +1.0% to 7.4%. (between Libor +0.4% to 7.4% as of December 31, 2018)

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<i>In thousands</i>	2019		2018		Maturity
	US\$	S/	US\$	S/	
Deutsche Bank (i)	343,191	1,138,706	341,043	1,150,338	November 2020
Credit Suisse (ii)	200,000	663,600	200,000	674,600	October 2040
Citibank NY	150,000	497,700	50,000	168,650	November 2021 – February 2020
Sumitomo Bank, NY	100,000	331,800	100,000	337,300	May-2019
ICO - Instituto de crédito	62,855	208,554	63,000	212,499	December 2021
Standard Chartered	-	-	200,000	674,600	
Wells Fargo Bank	-	-	100,000	337,300	
Other	-	-	43,686	147,353	
	856,046	2,840,360	1,097,729	3,702,640	
Accrued interest	16,065	53,303	6,886	23,225	
	872,111	2,893,663	1,104,615	3,725,865	

- (i) Loan with a nominal amount of US\$ 350 million which accrues interest at an annual fixed rate of 5.50% and has maturity in November 2020. Fair value of this loan is hedged by IRS, which As of March 31, 2019 and December 31, 2018, have resulted in accumulated gains of S/ 21 million and S/ 28 million, respectively.
- (ii) It corresponds to a subordinated loan in foreign currency arranged at 7.38% annual interest rate. Pursuant to SBS Resolution 975-2016, this loan will continue to be considered as Tier 1 Regulatory Capital, considering the adequacy period established by the rules of subordinated debt, effective since February 2016.

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

As of March 31, 2019 and December 31, 2018, the Continental Group holds in accounts payable a balance of S/ 8 million, for both periods, corresponding to deferred issuance expenses, for both periods.

- (b) As of March 31, 2019, these debts mainly include resources obtained for the social housing program MI VIVIENDA (MI HOGAR credit) for S/ 450 million in local currency and US\$ 2 million in foreign currency (S/ 454 million in local currency and US\$ 2 million in foreign currency as of December 31, 2018). This loan has different maturities until March 2039 and accrues interest at an annual effective rate of 7.75% in U.S. dollars and 6.25% in soles on the principal plus the Constant Adjustment index (hereinafter 'VAC', for its Spanish acronym).

As of March 31, 2019 and December 31, 2018, borrowings with Fondo MIVIVIENDA are secured with mortgage loan portfolio up to S/ 456 million and S/ 460 million, respectively (note 6). These borrowings consider specific arrangements about how these funds should be used, financial conditions that the borrower must meet, as well as other administrative matters.

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(c) As of March 31, 2019 and December 31, 2018 the detail of securities and bonds is as follows:

<i>In thousands of soles</i>	Authorized amount	Origin currency	Original placed amount	2019	2018	Maturity
Corporate bonds:						
1st issuance, single series - Fourth program	USD 100 million	PEN	40,000	40,000	40,000	August 2020
2nd issuance, series A - Fourth program		PEN	80,000	80,000	80,000	August 2020
2nd issuance, series A - Fifth program	USD 250 million	PEN	150,000	150,000	150,000	December 2026
5th issuance, single series - Fifth program (i)		PEN	200,000	199,712	199,527	April 2019
1st issuance, series A - Sixth program	USD 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	USD 1,000 million	PEN	132,425	132,425	132,425	June 2021
1st issuance, series B - seventh program		PEN	69,435	69,435	69,435	June 2021
2nd issuance, series A - seventh program		PEN	100,000	100,000	100,000	July 2023
2nd issuance, series B - seventh program		PEN	73,465	73,821	74,854	August 2023
1st issuance, series C - seventh program		PEN	70,000	70,000	70,000	September 2021
1st program, international issuance (ii)	USD 500 million	USD	500,000	1,629,194	1,637,685	August 2022
				3,294,587	3,303,926	
Subordinated bonds:						
2nd issuance, series A - First program	US\$ 50 million or S/ 158.30 million	USD	20,000	66,091	67,180	May 2027
3rd issuance, series A - First program		PEN	55,000	78,788	78,478	June 2032
2nd issuance, series A - Second program	US\$ 100 million	PEN	50,000	70,147	69,872	November 2032
3rd issuance, series A - Second program		USD	20,000	66,360	67,460	February 2028
4th issuance, single series - second program		PEN	45,000	60,925	60,685	July 2023
5th issuance, single series - second program		PEN	50,000	66,820	66,558	September 2023
6th issuance, single series - second program		PEN	30,000	39,401	39,247	December 2033
1st issuance, single series - third program	US\$ 55 million	USD	45,000	149,310	151,785	October 2028
First program, international issuance – single series (iii)	US\$ 300 million	USD	300,000	960,216	960,065	September 2029
				1,558,058	1,561,330	
Notes (v)						
2nd. issuance, notes 2012-C y 2012-D (iv)	US\$ 235 million	USD	235,000	167,322	182,497	June 2022
				167,322	182,497	
Finance lease bonds:						
1st issuance, series A - Second program	US\$ 250 million	PEN	158,000	158,000	158,000	December 2020
1st issuance, series B - Second program		PEN	205,100	205,100	205,100	October 2019
1st issuance, series C - Second program		PEN	200,000	200,000	200,000	January 2020
				563,100	563,100	
Negotiable certificates of deposits						
				105,148	92,923	
Interest payable on securities, bonds, and obligations outstanding						
				59,953	74,626	
				5,748,168	5,778,402	

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As of March 31, 2019 and December 31, 2018, corporate bonds are unsecured, accrue interest at annual rates in local currency ranging from 4.4% to 7.5%, and in foreign currency fluctuated in 5%.

- (i) The issuance of corporate bonds for S/ 200 million is hedged with a CCS which has resulted in accumulated earnings of S/ 0.2 million as March 31, 2019 (S/ 0.4 million as of December 31, 2018 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/ 30 million as of March 31, 2019 (S/ 49 million as of December 31, 2018 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/ 30 million as of March 31, 2019 (S/ 46 million as of December 31, 2018 of accumulated earnings).
- (iv) The notes issued in June 2012, as of March 31, 2019 amounts of US\$ 51 million (US\$ 55 million as of December 31, 2018), it includes financing for US \$ 19 million, maturing in June 2022, which has a hedge of cash flow through a "interest rate swap- IRS ". Likewise, it includes financing for US \$ 33 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 March 31, 2019 and December 31, 2018, it has generated accumulated earnings of S / 2 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 March 31, 2019 and December 31, 2018.

As of March 31, 2019 and December 31, 2018, subordinated bonds were issued according to the conditions set forth in the Banking Law, and accrue interest at annual rates that fluctuate between the VAC plus a "spread" and 5.5% for local currency, and between 5.3% and 6.5% for foreign currency.

The financial lease bonds accrue interest at annual rates that fluctuate between 4.6% and 6.0% in local currency, as of March 31, 2019 and December 31, 2018, are backed by credit operations in the form of financial leasing that have been financed with such bonds.

As of March 31, 2019 and December 31, 2018, the Bank maintains accounts payable balance of S/ 7 million and S/ 8 million, respectively, corresponding to deferred issuance expenses.

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13. Provisions and Other Liabilities

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

<i>In thousands of soles</i>	2019	2018
Accounts payable		
BCRP / Local Banks repurchase agreements (a)	3,161,520	1,245,865
Dividends, profit sharing and remunerations payable	860,158	112,811
Accounts payable to suppliers	326,157	313,149
Premiums to deposit insurance fund, contributions and obligations with tax collection entities	159,478	121,976
Other accounts payable	68,088	402,540
Interest payable	34,538	28,377
	4,609,939	2,224,718
Other liabilities		
Transactions in progress (b)	1,992,672	931,609
Deferred income and other	24,360	31,193
	2,017,032	962,802
Provisions		
Provision for lawsuits, litigations and other contingencies	217,786	219,646
Provision for contingent loans (c)	229,300	214,604
Other provisions	237,879	266,735
	684,965	700,985
	7,311,936	3,888,505

- (a) It corresponds to the balances of repurchase agreement operations BCRP over foreign currency, certificate of deposit, and sovereign bonds from the Republic of Peru entered with BCRP 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 statement of income of the Bank. As of March 31, 2019, liability transactions in progress mainly include S/ 1,706 million related to Treasury operations (S/ 845 million as of December 31, 2018).
- (c) The bank has pending several lawsuits, litigation and other proceedings related to the activities it develops, which in the Management's opinion and its legal advisors will not result in additional liabilities. Therefore, As of March 31, 2019 and December 31, 2018, Management has not considered necessary a higher provision than that recorded for these contingencies and processes.

14. Equity**A. Regulatory capital and legal limits**

The Banking Law established that the regulatory capital shall not be lower than 10% of the total risk weighted assets and contingent loans for credit, market and operational risks. As of March 31, 2019 and December 31, 2018, the Bank and the EDPYME apply the standard method for calculating the amount of regulatory capital requirements for credit, market and operational risk.

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As of March 31, 2019, on an individual basis, the regulatory capital of the Bank and the EDPYME, calculated according to current regulatory requirements are S/ 10,225 million and S/ 80 million, respectively (as of December 31, 2018 S/ 9,989 million and S/ 79 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 March 31, 2019, assets and contingent loans weighted by credit, market and operational risks of the Bank and the EDPYME, in accordance with current legal standards, amount to S/ 68,993 million and S/ 527 million, respectively (as of December 31, 2018 S/ 66,830 million y S/ 573 million, respectively).

As of March 31, 2019, the capital adequacy ratio by credit, market and operational risk of the Bank and EDPYME are 14.82% and 15.13%, respectively (14.95% and 13.76%, as of December 31, 2018, respectively).

B. Share Capital

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

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

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

Interest	2019		2018	
	Number of shareholders	Interest %	Number of shareholders	Interest %
Up to 1	7,750	3.37	7,676	3.37
From 1.01 to 5	3	4.39	3	4.39
From 45.01 to 100	2	92.24	2	92.24
	7,755	100.00	7,681	100.00

C. Reserves

In accordance with the Banking Law, it is required to have a reserve of at least 35% of the share capital. This reserve is created by an annual transfer of no less than 10% of after-tax profits, and it replaces the reserve referred to in the General Law of Companies. Also as Banking Law, the amount of legal reserve may also be increased with contributions made by the shareholders for this purpose.

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

D. Adjustments to equity

As of March 31, 2019, adjustments to equity include S/ 16.5 million for unrealized gains on available-for-sale investment (S/ 0.1 million of unrealized gain as of December 31, 2018), S/ 3.5 million unrealized loss from the valuation of the cash flow hedge derivative (S/ 5.1 million unrealized gains as of December 31, 2018), and S/ 2.8 million for unrealized losses on the actuarial reserve calculation for long-term employees benefits in both periods.

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E. Retained earnings

At Obligatory General Shareholders' Meeting, held on March 27, 2019 and March 28, 2018, an agreement was reached to approve the capitalization of retained earnings in an amount of S/ 517 million and S/485 million, respectively. Also, both shareholders' meetings approved dividends distribution amounting to S/ 812 million and S/ 763 million, respectively.

15. Interest Income

As of the first quarter of 2019 in relation to 2018 interest income increased by 8%, basically due to the increase in interest on the loan portfolio and interest from cash and due, and the decrease in interest on investments at fair value with changes in results.

16. Interest Expenses

Accumulated interest expenses as of the first quarter of 2019 in relation to 2018 decreased by 3%, mainly due to the net effect of the decrease of interest on securities, bonds and financial obligations and for accounts payable related to the transactions of repurchase agreements with the BCRP and financial system entities and the increase of interest on obligations to the public, obligations with foreign financial entities and profit or loss from hedging operations.

17. Income from Finance Services, Net

Accumulated income and expenses for various financial services as of the third quarter of 2019 in relation to 2018 increase by 4%. 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 2019 in relation to 2018 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 March 31, 2019 and 2018:

<i>In thousands of soles</i>	Shares outstanding	Weighted average number of basic shares	Effective days to year-end	Weighted average number of common shares
2019				
Balance as of January 1, 2019	5,368,602	5,368,602	90	5,368,602
Capitalization of year 2018 profit or loss	516,607	516,607	90	516,607
Balance as of March 31, 2019	5,885,209	5,885,209		5,885,209
2018				
Balance as of January 1, 2018	4,883,119	4,883,119	360	4,883,119
Capitalization of year 2017 profit or loss	485,483	485,483	360	485,483
Capitalization of year 2018 profit or loss		516,607	360	516,607
Balance as of December 31, 2018	5,368,602	5,885,209		5,885,209

As of March 31, 2019 and 2018, earnings per share calculated based on the average number of shares amounted to S/ 0.0606 and S/ 0.0566, respectively.

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20. Related Party Transactions

As of March 31, 2019 and December 31, 2018, the consolidated financial statements include transactions with the related party, which, as established by IAS 24, comprise the parent company, 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 March 31, 2019 and December 31, 2018 are as follows:

<i>In thousands of soles</i>	2019					2018				
	Controlling party	Related parties (*)	Associates	Key staff and directors	Total	Controlling party	Related parties (*)	Associates	Key staff and directors	Total
Assets:										
Cash and due from banks	244	-	-	-	244	500,355	287	-	-	500,642
Loan portfolio, net	-	347,338	49	22,145	369,532	-	300,277	49	23,434	323,760
Trading derivatives	135,255	1,160	-	-	136,415	135,977	69,105	-	-	205,082
Other assets, net	305,399	85,763	-	-	391,162	144,865	125,735	-	-	270,600
Total assets	440,898	434,261	49	22,145	897,353	781,197	495,404	49	23,434	1,300,084
Liabilities:										
Obligations to the public and deposits from financial system entities	284,023	647,981	725	182,775	1,115,504	212,881	357,950	953	126,152	697,936
Borrowings and financial obligations	-	6,000	-	-	6,000	-	6,018	-	-	6,018
Trading derivatives	218,498	562	-	-	219,060	250,641	1,462	-	-	252,103
Provisions and other liabilities	69,007	812,408	-	70	881,485	11,839	39,088	-	18	50,945
Total liabilities	571,528	1,466,951	725	182,845	2,222,049	475,361	404,518	953	126,170	1,007,002
Contingent and memorandum accounts:										
Indirect loans	-	254,392	255	1,433	256,080	-	298,291	200	1,457	299,948
Derivative financial instruments	13,118,511	576,608	-	-	13,695,119	11,071,499	701,705	-	-	11,773,204

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

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(b) The effects of transactions with related parties in the consolidated income statement of Continental Group for the period ended March 31, 2019 and 2018 is as follows:

<i>In thousands of soles</i>	2018					2017				
	Controlling party	Related parties (*)	Associates	Key staff and directors	Total	Controlling party	Related parties (*)	Associates	Key staff and directors	Total
Interest income	-	1,362	-	99	1,461	-	1,784	-	47	1,831
Interest expenses	-	(2,663)	-	(259)	(2,922)	-	(2,612)	-	(106)	(2,718)
	-	(1,301)	-	(160)	(1,461)	-	(828)	-	(59)	(887)
Income from financial services	-	269	-	11	280	-	164	-	(7)	157
Expenses in financial services	-	(2)	-	-	(2)	-	(30)	-	-	(30)
	-	267	-	11	278	-	134	-	(7)	127
Net profit or loss from financial operations	-	-	-	-	-	-	-	-	-	-
Administrative expenses	(4,677)	(18,472)	-	-	(23,149)	(3,624)	(16,983)	-	-	(20,607)
Other income, net	-	51	-	3	54	-	46	-	1	47
	(4,677)	(18,421)	-	3	(23,095)	(3,624)	(16,937)	-	1	(20,560)

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

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

As of March 31, 2019 and December 31, 2018, Directors, officers and employees of the Bank have performed credit operations allowed by the Banking Law, which regulates and establishes certain limits to transactions with Directors, officers and employees of banks in Peru. As of March 31, 2019 and December 31, 2018, direct loans to employees, directors, officers and key personnel amounted to S/ 423 million and S/ 438 million, respectively.

Likewise, as of March 31, 2019 and 2018, key management personnel and board of directors' compensation amounted to S/ 3 million and S/ 4 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.