BANCO DE CREDITO DEL PERU S.A. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2020 AND 2019

Gaveglio Aparicio y Asociados Sociedad Civil de Responsabilidad Limitada.
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BANCO DE CREDITO DEL PERU S.A. AND SUBSIDIARIES

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CONTENTS

CONTENTS	Pages
Independent auditors' report	1 - 2
Consolidated statement of financial position	3
Consolidated statement of income	4
Consolidated statement of comprehensive income	5
Consolidated statement of changes in equity	6
Consolidated statement of cash flows	7 - 9
Notes to the consolidated financial statements	10 - 108

S/ = Soles
US$ = American Dollar

(Free translation from the original in Spanish)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders
Banco de Crédito del Perú S.A.

February 24, 2021

We have audited the accompanying consolidated financial statements of **Banco de Crédito del Perú S.A.** (a subsidiary of **Credicorp Ltd.** incorporated in Bermuda) **and subsidiaries**, which comprise the consolidated statement of financial position as of December 31, 2020 and 2019 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information included in notes 1 to 30.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Generally Accepted Accounting Principles in Peru applicable for Financial Institutions, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing approved for application in Peru by the Board of Deans of Institutes of Peruvian Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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February 24, 2021
Banco de Crédito del Perú S.A.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of **Banco de Crédito del Perú S.A. and subsidiaries** as of December 31, 2020 and 2019 and their financial performance and their cash flows for the years then ended in accordance with Generally Accepted Accounting Principles in Peru applicable for Financial Institutions.

Emphasis of matter

We draw attention to Note 2 to the consolidated financial statements, which describes that **Banco de Crédito del Perú S.A. and subsidiaries** has contemplated the potential impact that the COVID-19 could have on its operations and has considered its effect on the consolidated financial statements. The actions taken by the Company to mitigate these effects are described in the referred Note 2. Our opinion is not modified in respect of this matter.

Gaveglio Aparicio y Asociados

Countersigned by

-------------------------------------(partner)
Carlos González González
Peruvian Public Accounting
Registration No.50403

BANCO DE CREDITO DEL PERU S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020 AND 2019
(Amounts expressed in thousands of soles)

	Note	2020	2019
		S/000	S/000
Assets			
Cash and due from banks:	4		
Cash and clearing		4,619,875	4,312,853
Deposits in Peruvian Central Bank		26,003,477	18,367,713
Deposits in local and foreign banks		2,403,346	946,205
Restricted funds		1,336,958	3,068,989
Accrued interest		1,351	14,186
		34,365,007	26,709,946
Interbank funds		28,968	101,979
Investments:			
At fair value through profit or loss	5(a)	2,168,500	-
Available-for-sale	5(a)	29,591,086	14,231,178
Held-to-maturity	5(d)	4,934,031	3,456,144
		36,693,617	17,687,322
Loans, net	6	117,381,370	100,336,130
Investments in associates		13,771	31,207
Property, furniture and equipment, net	7	1,211,698	1,287,421
Goodwill	8	276,321	276,321
Other assets, net	9	5,221,886	4,229,619
Total assets		195,192,638	150,659,945
Off-Balance Sheet accounts	18	90,336,447	87,251,254

	Note	2020	2019
		S/000	S/000
Liabilities and shareholders' equity			
Deposits and obligations	10	126,971,955	99,433,161
Interbank funds		-	204,986
Payables from repurchase agreements	5(e)	26,267,587	5,803,336
Due to banks, correspondents and other entities	11	5,843,676	8,660,298
Bonds and subordinated notes issued	12	13,811,673	14,312,926
Other liabilities	9	3,354,378	3,219,838
Total liabilities		176,249,269	131,634,545
Shareholders' equity	14		
Attributable to Banco de Crédito del Perú equity holders:			
Capital stock		11,067,387	10,217,387
Legal reserve		3,887,157	3,586,304
Other reserves		2,279,513	1,108,814
Unrealized results		691,094	298,112
Retained earnings		893,270	3,706,594
		18,818,421	18,917,211
Non-controlling interest		124,948	108,189
Total shareholders' equity		18,943,369	19,025,400
Total liabilities and shareholders' equity		195,192,638	150,659,945
Off-Balance Sheet accounts	18	90,336,447	87,251,254

The accompanying notes in pages 10 to 108 are an integral part of these consolidated financial statements.

BANCO DE CREDITO DEL PERU S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts expressed in thousands of soles)

	Note	2020 S/000	2019 S/000	2018 S/000
Financial income and expenses				
Financial income	19	10,271,433	10,967,124	10,209,656
Financial expenses	19	(2,422,347)	(2,828,004)	(2,631,510)
Gross financial margin		7,849,086	8,139,120	7,578,146
Provision for credit losses on loan portfolio		(5,171,691)	(2,052,545)	(1,788,055)
Recovery of writen-offs loans		147,854	254,039	280,207
Provision for loan losses, net of recoveries	6(f)	(5,023,837)	(1,798,506)	(1,507,848)
Net financial margin		2,825,249	6,340,614	6,070,298
Non-financial income				
Commissions for banking services, net	20	2,248,910	2,609,684	2,486,844
Net gains on trading derivatives		23,994	23,415	(7,544)
Net gains on securities	21	132,910	138,316	28,579
Net gains on foreign exchange transactions		656,282	736,844	699,405
Other non-financial income	22	180,012	251,782	266,451
		3,242,108	3,760,041	3,473,735
Operating expenses				
Salaries and employees benefits	23	(2,341,141)	(2,582,777)	(2,464,618)
General and administrative expenses	24	(1,804,551)	(1,819,559)	(1,682,448)
Depreciation and amortization	7(a) and 9 (e)	(400,138)	(380,530)	(361,228)
Provision for goods received in payment and awarded		(19,858)	(3,579)	(16,904)
Taxes and contributions		(176,230)	(202,697)	(174,895)
Other operating expenses	22	(419,245)	(142,558)	(170,479)
		(5,161,163)	(5,131,700)	(4,870,572)
Net gains from exchange differences		65,731	12,910	30,359
Income before income tax		971,925	4,981,865	4,703,820
Income tax	13 (b)	(155,139)	(1,334,880)	(1,330,732)
Net income		816,786	3,646,985	3,373,088
Attributable to:				
Shareholders' equity of Banco de Crédito del Perú		819,927	3,627,575	3,350,151
Non-controlling Interest		(3,141)	19,410	22,937
		816,786	3,646,985	3,373,088
Basic and diluted earnings per share (in soles)	25	0.0738	0.3295	0.3048
Weighted average number of ordinary shares for basic earnings (in thousand of units)		11,067,387	11,067,387	11,067,387

The accompanying notes in pages 10 to 108 are an integral part of these consolidated financial statements.

BANCO DE CREDITO DEL PERU S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts expressed in thousands of soles)

	Note	2020 S/000	2019 S/000	2018 S/000
Net profit for the year		816,786	3,646,985	3,373,088
Other comprehensive income				
Net gain (loss) on available-for-sale investments	14(e)	418,537	327,595	(95,085)
Net movement of cash flow hedges	14(e)	(15,114)	(37,236)	33,592
Exchange differences on translation of foreign operations	14(e)	1,233	(244)	(3,886)
Income tax	14(e)	(11,506)	(2,377)	(2,464)
Other comprehensive income (loss) for the year, net of income tax		393,150	287,738	(67,843)
Total comprehensive income for the year, net of income tax		1,209,936	3,934,723	3,305,245
Attributable to:				
Shareholders' equity of Banco de Crédito del Perú		1,212,909	3,915,069	3,282,641
Non-controlling interest		(2,973)	19,654	22,604
		1,209,936	3,934,723	3,305,245

The accompanying notes in pages 10 to 108 are an integral part of these consolidated financial statements.

BANCO DE CREDITO DEL PERU S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts expressed in thousands of soles)

		Attributable to shareholders' equity of Banco de Crédito del Perú									
	Number of outstanding shares	**Capital stock**	**Legal reserve**	**Other reserves**	**Available-for-sale investment reserve**	**Cash flow hedges reserve**	**Foreing currency translation reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total**
	(in thousand of units)	**S/000**	**S/000**	**S/000**	**S/000**	**S/000**	**S/000**	**S/000**	**S/000**	**S/000**	**S/000**
Balances as of January 1, 2018	7,933,342	7,933,342	2,776,680	1,108,814	99,888	(26,489)	4,729	3,349,249	15,246,213	145,026	15,391,239
Changes in shareholders' equity for 2018											
Net income	-	-	-	-	-	-	-	3,350,151	3,350,151	22,937	3,373,088
Other comprehensive income	-	-	-	-	(86,267)	22,662	(3,905)	-	(67,510)	(333)	(67,843)
Total comprehensive income	-	-	-	-	(86,267)	22,662	(3,905)	3,350,151	3,282,641	22,604	3,305,245
Capitalization of income, Note 14(a)	837,023	837,023	-	-	-	-	-	(837,023)	-	-	-
Transfer to Legal Reserve, Note 14(b)	-	-	298,809	-	-	-	-	(298,809)	-	-	-
Dividend distribution, Note 14(f)	-	-	-	-	-	-	-	(1,494,641)	(1,494,641)	(14,448)	(1,509,163)
Purchase of Mibanco minority Interest	-	-	-	-	-	-	-	2,026	2,026	(53,402)	(51,376)
Other	-	-	6	-	-	-	-	-	6	(215)	(209)
Balances as of December 31, 2018	8,770,365	8,770,365	3,075,495	1,108,814	13,621	(3,827)	824	4,070,953	17,036,245	99,565	17,135,810
Changes in shareholders' equity for 2019											
Net income	-	-	-	-	-	-	-	3,627,575	3,627,575	19,410	3,646,985
Other comprehensive income	-	-	-	-	314,681	(26,943)	(244)	-	287,494	244	287,738
Total comprehensive income	-	-	-	-	314,681	(26,943)	(244)	3,627,575	3,915,069	19,654	3,934,723
Capitalization of income, Note 14(a)	1,447,022	1,447,022	-	-	-	-	-	(1,447,022)	-	-	-
Transfer to Legal Reserve, Note 14(b)	-	-	510,800	-	-	-	-	(510,800)	-	-	-
Dividend distribution, Note 14(f)	-	-	-	-	-	-	-	(2,036,444)	(2,036,444)	(11,031)	(2,047,475)
Other	-	-	9	-	-	-	-	2,332	2,341	1	2,342
Balances as of December 31, 2019	10,217,387	10,217,387	3,586,304	1,108,814	328,302	(30,770)	580	3,706,594	18,917,211	108,189	19,025,400
Changes in shareholders' equity for 2020											
Net income	-	-	-	-	-	-	-	819,927	819,927	(3,141)	816,786
Other comprehensive income	-	-	-	-	402,738	(10,998)	1,242	-	392,982	168	393,150
Total comprehensive income	-	-	-	-	402,738	(10,998)	1,242	819,927	1,212,909	(2,973)	1,209,936
Capitalization of income, Note 14(a)	850,000	850,000	-	-	-	-	-	(850,000)	-	-	-
Transfer to Legal Reserve, Note 14(b)	-	-	298,349	1,170,699	-	-	-	(1,469,048)	-	-	-
Dividend distribution, Note 14(f)	-	-	-	-	-	-	-	(1,303,739)	(1,303,739)	-	(1,303,739)
Non controlling interest capital contribution to Mibanco	-	-	-	-	-	-	-		-	20,131	20,131
Other	-	-	2,504	-	-	-	-	(10,464)	(7,960)	(399)	(8,359)
Balances as of December 31, 2020	11,067,387	11,067,387	3,887,157	2,279,513	731,040	(41,768)	1,822	893,270	18,818,421	124,948	18,943,369

The accompanying notes in pages 10 to 108 are an integral part of these consolidated financial statements.

BANCO DE CREDITO DEL PERU S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts expressed in thousands of soles)

	Note	2020	2019	2018
		S/000	S/000	S/000
CASH FLOWS FROM OPERATING ACTIVITIES				
Net profit of the year		816,786	3,646,985	3,373,088
Adjustments to reconcile net profit to net cash provided by operating activities:				
Provision for credit losses on loan portfolio	6(f)	5,171,688	2,052,545	1,788,055
Depreciation and amortization	7(a) and 9(e)	400,138	380,530	361,228
Deferred income tax	13(b)	(680,728)	(23,698)	100,466
Net (gain) loss on securities	21	(132,910)	(138,316)	(28,579)
Net loss (gain) of trading derivatives instruments		(23,994)	(23,415)	7,544
Expense for share-based compensation plan	23	64,249	69,333	62,606
Provision for seized assets		19,858	3,579	16,904
Provision for uncollectable receivables	22	17,028	939	1,464
Provisions for litigation, lawsuits and other contingencies		10,186	4,945	98,758
Provision reversal for closure of the Millas Travel program	22	(10,880)	-	-
Derecognition cost of out-of-use and intangible assets due to withdrawals	22	47,840	35,366	13,129
Net profit from sale of seized and recovered assets	22	(2,957)	(5,802)	(4,569)
Net gain on sales of property, furniture and equipment	22	(12,576)	(19,772)	(42,918)
Variation in bonds fair value		21,235	26,015	(123,213)
Amortization of bond issuance expenses		(62,572)	(86,399)	24,446
Net gain (loss) from sale of written off portfolio	22	(35,818)	(106,835)	(60,663)
Net increase (decrease) in assets				
Loans		(19,427,190)	(6,425,959)	(9,863,166)
Investment at fair value through profit or loss		(2,092,637)	103,815	2,059,370
Investment available-for-sale		(14,592,719)	381,065	(2,184,852)
Investments held-to-maturity		(207,415)		
Other assets, net		2,039,148	(834,626)	2,684,172
Sale of written off portfolio		36,971	193,770	60,663
Net increase (decrease) of liabilities				
Deposits and obligations		23,544,202	7,105,414	5,969,585
Payables for repurchase agreements		20,464,251	(1,366,572)	(4,238,738)
Due to banks, correspondent and financial institutions and interbank funds		(3,341,371)	383,369	144,961
Bonds and notes issued		(1,883,761)	765,111	(1,037,554)
Other liabilities		892,728	1,218,451	904,031
Income tax paid		(952,260)	(1,041,447)	(991,323)
Net cash flows from operating activities		10,086,520	6,298,391	(905,105)
NET CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, furniture and equipment	7(a)	(77,852)	(128,087)	(139,161)
Revenue from sale of property, furniture and equipment		22,864	26,629	67,044
Purchase of intangibles	9(e)	(469,494)	(358,962)	(317,555)
Purchase of Mibanco minority Interest		-	-	(53,402)
Revenue from sales and reimbursement of investments held-to-maturity		1,097,919	2,962,938	3,996,783
Purchase of investments held-to-maturity		(2,358,670)	(1,688,443)	(3,566,127)
Net cash flows from investing activities		(1,785,233)	814,075	(12,418)
NET CASH FLOWS FROM FINANCING ACTIVITIES				
Subordinated bonds and notes issued		466,181	(977,009)	-
Dividends paid	14(f)	(1,303,739)	(2,036,444)	(1,494,641)
Dividends paid to non-controlling interests in subsidiaries		-	(11,031)	(14,448)
Non controlling interest capital contribution to Mibanco		20,131	-	-
Net cash flows from financing activities		(817,427)	(3,024,484)	(1,509,089)
Net (decrease) increase in cash and cash equivalents before the effect of variations in exchange rate		7,483,860	4,087,982	(2,426,612)
Effect of changes in exchange rate of cash and cash equivalents		1,903,232	(348,567)	628,355
Cash and cash equivalents at the beginning of year		23,640,957	19,901,542	21,699,799
Cash and cash equivalents at the end of year		33,028,049	23,640,957	19,901,542

The accompanying notes in pages 10 to 108 are an integral part of these consolidated financial statements.

BANCO DE CREDITO DEL PERU S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

(Amounts expressed in thousands of soles)

	Note	2020 S/000	2019 S/000	2018 S/000
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END WITH THE ACCOUNT BALANCES OF THE STATEMENT OF FINANCIAL POSITION				
Cash and cash equivalents at the end of the period		33,028,049	23,640,957	19,901,542
Repurchase agreements with BCRP	4(c)	1,104,686	2,798,695	3,100,487
Other restricted funds	4(c)	232,272	270,294	402,642
Available funds according to the Statement of Financial Position		34,365,007	26,709,946	23,404,671
Additional information regarding cash flow				
Interest received		10,228,966	10,965,241	10,125,424
Interest paid		(2,571,947)	(2,797,265)	(2,602,834)
Transactions which do not result in cash flow				
Repurchase agreements with BCRP		1,104,686	2,798,695	3,100,487
Other restricted funds		232,272	270,294	402,642

The accompanying notes in pages 10 to 108 are an integral part of these consolidated financial statements.

BANCO DE CREDITO DEL PERU S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES:
(Amounts expressed in thousands of soles)

		Changes that generate cash flows		Changes that do not generate cash flows				
	At January 1, 2020	New issues	Amortization of principal	Exchange difference	Changes in fair value	Discontinuing of hedge	Others	At December 31, 2020
	S/000	S/000	S/000	S/000	S/000	S/000	S/000	S/000
Amortized cost	4,088,374	3,004,601	(2,538,420)	367,427	-	-	(86,823)	4,835,159
Fair value	-	-	-	-	-	-	-	-
	4,088,374	3,004,601	(2,538,420)	367,427	-	-	(86,823)	4,835,159

		Changes that generate cash flows		Changes that do not generate cash flows				
	At January 1, 2019	New issues	Amortization of principal	Exchange difference	Changes in fair value	Discontinuing of hedge	Others	At December 31, 2019
	S/000	S/000	S/000	S/000	S/000	S/000	S/000	S/000
Amortized cost	5,120,019	-	(977,009)	(64,374)	-	-	9,738	4,088,374
Fair value	-	-	-	-	-	-	-	-
	5,120,019	-	(977,009)	(64,374)	-	-	9,738	4,088,374
Fair value hedge	-	-	-	-	-	-	-	-

The accompanying notes in pages 10 to 108 are an integral part of these consolidated financial statements.

BANCO DE CREDITO DEL PERU S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2020 AND 2019

1 OPERATIONS

Banco de Crédito del Perú (hereinafter “the Bank” or “BCP”) is a corporation (“sociedad anónima”) incorporated in 1889, and is a subsidiary of Credicorp Ltd. (a holding incorporated in Bermuda in 1995), which owns directly and indirectly 97.71 percent of its capital stock as of December 31, 2020 and December 31, 2019.

The Bank’s office is located in Calle Centenario No. 156, La Molina, Lima, Perú. As of December 31, 2020, the Bank has 388 branches and agencies in Peru and 2 branches abroad; in the United States of America (Miami) and Panama (as of December 31, 2019, it had 404 branches and agencies in Peru and 2 branches abroad).

The Bank’s operations are governed by the “Ley General del Sistema Financiero y de Seguros y Orgánica de la Superintendencia de Banca, Seguros y AFP” (General Law of the Financial and Insurance Systems and Organic of the SBS - Law 26702), hereinafter the “Banking Law”, and it is authorized by the Superintendencia de Banca, Seguros y AFP - SBS (Peruvian Banking and Insurance Authority, hereinafter “SBS” for is Spanish acronym) to operate as a universal bank, in accordance with the prevailing Peruvian legislation.

In a Credicorp’s Board meeting on December 19, 2019, the Corporate Policy for the Prevention of Corruption and Bribery was approved. This document specifies that Credicorp nor any of its subsidiaries may make contributions or deliver any benefit to political organizations or their members, under any modality, directly or indirectly. Being a Credicorp´s subsidiary, BCP must comply with this policy. Management confirms that for the year 2020, none of these contributions have been made.

The consolidated financial statements as of December 31, 2019 and for the year then ended on that date were approved by the General Shareholders’ Meeting held on April 03, 2020 without modifications. The consolidated financial statements as of December 31, 2020 and for the year then ended were approved by the Audit Committee and Management on February 22, 2021 and will be submitted for their final approval by the Board of Directors and the General Shareholders’ Meeting within the period established by law. In Management’s opinion, the consolidated financial statements will be approved by the Board of Directors and the General Shareholders’ Meeting without modifications.

2 SIGNIFICANT EVENTS

(i) The outbreak of the new coronavirus (hereinafter “COVID-19”) -

The COVID-19 outbreak, which began in the country during the first quarter of 2020, forced the government to take measures that consisted of emergency declarations, mobilization restrictions, quarantines and border closures that have been changed to quarantines selective. During the second semester of 2020, the country began the reopening process in phases, but due to the increase in cases that have occurred at the end of 2020, restrictive measures have been re-imposed by risk areas that extend to the date of the issuance of this report.

In response to the major sanitary and economic shock from COVID-19, the Ministry of Finance, the Central Bank and Congress announced and implemented an ample package of measures to mitigate and stimulate the economy for the equivalent of around 20.0 percent of GDP. The ability to implement measures of this magnitude stems from prudent macroeconomic policies that have been implemented for decades.

The measures enacted include grace periods and rescheduling of credits to individuals and legal entities, tax relief, public spending, access to private savings (pension fund accounts and severance indemnity deposits), and government-backed liquidity programs.

In particular, the government supported the business sector through two government-backed programs:

- "Reactiva Perú" is a liquidity program, created by the National Government through Legislative Decree N°1455, and modified by Legislative Decree N°1457 and Supreme Decree N°124-2020-EF, it aims to give a quick and effective response to the liquidity needs that companies have to face due to the impact of COVID-19.The program seeks to ensure continuity in the credit chain, granting guarantees to micro, small, medium and large companies so that they can access working capital loans, and thus can meet their short-term obligations with its workers and suppliers of goods and services. This program initially had resources of S/30 billion and later, through Legislative Decree N°1485, the amount was increased by an additional S/30 billion reaching the amount of S/60 billion equivalents to 8.0 percent of GDP.

  The amount of the credit in soles disbursed and the individual guarantee depended on the sales volume of each company. The maximum amount of guaranteed credits to be granted responded to the three months of average monthly sales in 2019, according to the Tax Administration of Peru (SUNAT, by its acronym in Spanish). Likewise, in the case of credits intended for microenterprises, an alternative to the sales level, the amount equivalent to two months average debt of the year 2019 can also be used, up to a maximum of S/40.0 thousand. The level of guarantee coverage of the Peruvian Government for these loans is 98.0 percent for loans disbursed up to S/90.0 thousand and varies between 95.0 percent and 80.0 percent for loans greater than S/90.0 thousand and up to S/10.0 million.

  The loans disbursed from "Reactiva Perú" program have maximum terms of up to thirty-six months, with a grace period of up to twelve months. Likewise, financial entities undertake to offer these credits at record low rates, since the Central Reserve Bank of Peru (BCRP, by its initials in Spanish) granted said funds through repurchase credit agreement with the Guarantee of the National Government represented in securities, which may be assigned through auctions or direct operations, they remunerate an effective annual rate of 0.5 percent and include a grace period of twelve months without payment of interest or principal.

  By end December 2020 the liquidated repurchase agreement operations with state guarantee from the Central Bank stood at S/50,729 million.

- The Enterprise Support Fund (FAE, by its acronym in Spanish) program enables banks and microfinance entities to provide Small and Micro businesses loans for up to S/4.0 billion with government guarantee coverage levels between 90.0 percent and 98.0 percent. This amount represents about 9.0 percent of the loan portfolio for SMEs (Pymes, by its Spanish initials) systemwide. Other Funds which have also been created are FAE funds for Agriculture and Tourism for S/2.0 billion and S/1.5 billion, respectively. These funds follow similar structures to the original FAE but are focused on specific sectors.

  Finally, the Central Bank lowered its reference rate in 200 basis points reaching 0.25 percent, a historic minimum, and has provided liquidity for six and twelve months through credit agreements since the beginning of March. BCRP has also implemented measures to mitigate exchange rate volatility. Additionally, the Superintendency of Banking, Insurance and AFP (SBS) authorized credit extensions for up to six months with no effect on clients' credit ratings.

ii) Effects of the pandemic on the economy -

Economic activity has continued to show signs of recovery, at a better rate than initially expected, after registering a 29.8 percent drop in GDP in the second quarter, at the end of 2020 the GDP contracted 11.1 percent. This recovery was supported by a more favorable external environment, mainly due to the appreciation of the price of copper, and an environment where available local economic indicators also accompanied the recovery.

The Government made international issues at historically low rates for a total of US$7,000.0 million in the year, to finance the significant fiscal deficit incurred during 2020.

However, in December 2020, the risk rating agency Fitch revised the outlook for Peru's long-term credit rating in foreign currency from Stable to Negative but maintained the rating at BBB+.

The notes to the consolidated financial statements that show some impact due to COVID 19 are as follows: Note 3 (e) and (f), Note 5, Note 6, Note 10, Note 11, Note 15 (e) and (f), and Note 22.

The consolidated financial statements reasonable reflect the best available information at the time of preparation, including the uncertainty and the impact on significant assumptions and estimations, that are disclosed in the main notes to the consolidated financial statements. Those accounting estimates, in the opinion of Management, are reasonable in the circumstances.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting principles applied in the preparation of the consolidated financial statements of the Bank and its Subsidiaries are set out below:

a) Basis for presentation, and use of estimates -

The accompanying consolidated financial statements have been prepared in soles from the accounting records of the Bank and its Subsidiaries, in accordance with generally accepted accounting principles applicable to financial entities. The accounting principles comprise substantially the SBS regulations and, supplementally, when there are no specific SBS regulations, with International Financial Reporting Standards - IFRS approved through the resolutions issued by the Consejo Normativo de Contabilidad (Peruvian Accounting Council, hereinafter “CNC” for its Spanish acronym), and in force in Peru as of December 31, 2020, see paragraph (z) of this Note.

These accounting principles are consistent with those used in 2019 and 2018.

The preparation of the accompanying consolidated financial statements requires Management to make estimates that affect the reported amounts of assets, liabilities, revenue and expenses and the disclosure of significant events in the Notes to the consolidated financial statements.

Estimates are continually evaluated and are based on historical experience and other factors. The final results could differ from those estimates; however, management expects that the variations, if any, will not have a material impact on the consolidated financial statements. The most significant estimates related to the accompanying consolidated financial statements correspond to the allowance for loan losses, the valuation of investments, impairment of goodwill evaluation, the valuation of derivative financial instruments and share based payments; likewise, management performs other estimates, such as estimated useful life and the recoverable value of intangible assets, property, furniture and equipment and deferred income tax assets and liabilities. The accounting criteria used for said estimates are described in this Note.

Also, the financial statements of Subsidiaries and branch offices overseas have been standardized to the accounting standards of the SBS.

b) Base of consolidation -

The consolidated financial statements include the financial statements of the Bank and its Subsidiaries for all the years presented.

Subsidiaries are all entities over which the Bank has control, meaning the power to govern their financial and operating policies. This is generally evidenced by a shareholding of more than half of the voting rights. Subsidiaries are consolidated from the date on which effective control is transferred to the Bank and are no longer consolidated from the date that control ceases.

All transactions, balances, gains and losses between the Bank and its Subsidiaries have been eliminated in the consolidation process.

Transactions with non-controlling interest -

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as a capital transaction (equity transaction) and any resulting difference between the price paid and the amount corresponding to non-controlling shareholders must be recognized directly in the consolidated net equity.

The consolidated financial statements include the financial statements of the Bank and its Subsidiaries in which holds more than 50 percent, directly and indirectly. Below is the main data of the Bank and its Subsidiaries engaged in the process of consolidation as of December 31, 2020 and 2019, before eliminations made in said process:

Entity	Activity and country	Percentage of interest (direct and indirect)		Assets		Liabilities		Net equity		Net income (loss)	
		2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
		%	%	S/000	S/000	S/000	S/000	S/000	S/000	S/000	S000
Banco de Crédito del Perú	Banking, Peru	-	-	182,440,048	140,807,819	163,681,966	121,974,316	18,758,082	18,833,503	832,889	3,622,708
Mibanco, Banco de la Microempresa, S.A. (1)	Banking small and micro credits, Peru	94.93	94.93	15,615,626	13,146,041	13,282,334	11,181,158	2,333,292	1,964,883	(35,204)	391,766
Solución Empresa Administradora Hipotecaria S.A.	Mortgage loans, Peru	100.00	100.00	142,287	181,841	89,471	111,977	52,816	69,864	5,253	4,628
BCP Emisiones Latam 1 S.A.	Investments, Chile	50.39	50.39	13	643	102	612	(89)	31	(113)	(36)

(1) General Shareholders' Meeting held on November 9, 2020, was agreed to increase the capital stock by up to S/ 400 million. On December 20, 2020, BCP contribution was S/ 380 million and Grupo Crédito contribution was S/ 20 million. As of December 31, 2020, the shares are pending of issuance.

c) Foreign currency -

Functional and presentation currency -

The Bank and its Subsidiaries consider the sol as its functional and presentation currency, because it reflects the nature of economic events and relevant circumstances, since its main operations and/or transactions such as loans granted, obtained financing, finance income, finance expenses, and a significant percentage of purchases; are established and settled in soles.

BCP Emisiones Latam 1 S.A. and overseas branches have a functional currency different from the sol; therefore their balances were translated to soles for consolidation purposes as follows:

- Assets and liabilities were translated at the free market exchange rate prevailing at the date of the consolidated statement of financial position.

- Income and expenses, were translated at the average exchange rates on a monthly basis.

All differences resulting from the translation were included in the caption "Translation results" of the consolidated statement of changes in shareholder’s equity.

Transactions in foreign currency -

Assets and liabilities in foreign currencies are recorded at the exchange rate prevailing at the date the transactions are performed. Monetary assets and liabilities denominated in foreign currency are translated into soles at the closing of each corresponding month by using the exchange rate set by SBS; see Note 29.3(b)(ii). Gains or losses resulting from the translation of foreign currency monetary assets and liabilities at the exchange rates prevailing at the date of the consolidated statement of financial position are included in the caption “Net gains from exchange differences” of the consolidated statement of income.

d) Financial instruments -

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

As established under IAS 39 all financial assets and liabilities, including derivative financial instruments should be recognized in the consolidated statement of changes in equity and measured as per classification.

The Bank and its subsidiaries classify their financial instruments in one of the categories defined by IAS 39: financial assets and financial liabilities at fair value through changes in profit or loss; loan portfolio and receivables; available-for-sale financial investments; held-to-maturity financial investments and financial liabilities at amortized cost. The Bank and its subsidiaries determine the classification of their financial instruments at initial recognition.

Financial instruments classification at initial recognition depends on Management purpose and intention for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus any directly attributable incremental cost of acquisition or issue, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, that is the date on which the Group commits to purchase or sell the asset. Derivatives are recognized on a trade date basis.

Financial assets and liabilities presented in the consolidated statement of financial position correspond to cash and due from banks, interbank funds held, investments at fair value through profit or loss, investments available-for-sale and held-to-maturity, derivative financial instruments at fair value, the loan portfolio, accounts receivable (presented in the caption “Other assets, net”, see Note 9(a) and liabilities in general, except for the liabilities identified as non-financial instruments presented in the caption "Other liabilities", see Note 9(a). In addition, all derivative products and indirect loans are considered to be financial instruments. The specific accounting policies on recognition and measurement of these items are disclosed in the accounting policies described in this Note.

e) Recognition of revenue and expenses -

Interest income and expense are recognized in results of the period in which they are accrued, based on the effective validity of the operations which generate them and the interest rates freely agreed with clients, except in the case of interest generated by credits which are past due, refinanced, restructured, and in judicial collection; as well as credits classified in the doubtful and loss categories and the interest on which is recognized as earned to the extent to which they are collected. When Management determines that the debtor’s financial condition has improved and the credit is reclassified to the status of current and/or the normal categories, with potential problems or deficient, interest is reestablished on an accrual basis.

As part of the prudential measures of the state of emergency due to COVID-19 outbreak, the SBS provided through Multiple Official Letter No.11150-2020-SBS that companies of the financial system can modify contractual conditions of different credit modalities, without this constituting a refinancing as long as customers are up to date on their payments. Likewise, through Multiple Official Letter N°11170-2020-SBS, it allowed the application of the accrual principle for the accounting record of interest associated with rescheduled retail loans, maintaining the criterion of what is received in the case of non-retail debtors rescheduled on a massive scale.

Interest income includes returns earned on fixed income investments classified as investments at fair value through profit or loss, available-for-sale and held-to-maturity, which includes the accrued discount and premium on said financial instruments.

Dividends are recognized as income when they are declared.

Commissions and expenses for credit formalization, as well as for opening, study and evaluation of direct and indirect credits are recorded as income based on their accrual over the term of the respective contracts.

Commissions for financial services related to the maintenance of approved credits and to fees for additional and/or complementary operations or services to said credits, other than those indicated in the previous paragraph, are recognized as income when received. All other revenues and expenses are recognized as earned or incurred in the period in which they accrue.

f) Loans and allowance for loan losses -

Direct loans are recorded when disbursement of funds is made to clients. Operations with credit cards are recorded as loans for the amount consumed and/or withdrawn. Indirect loans (contingent) are recorded when the documents supporting said facilities are issued.

Loans considered as refinanced are loans or direct financing of which the original contractual terms and/or amounts have been modified due to difficulties in the payment capacity of the debtor. Loans considered as restructured are those subject to reprogramming of approved installments under a restructuring process in accordance with Law No 27809 - “Ley General del Sistema Concursal”

Finance lease operations are accounted for under the financial method, recording as loans the principal of the lease installments pending collection.

Finance income is based on a pattern that reflects a constant interest rate over the net loan.

As of December 31, 2020 and 2019, the allowance for loan losses is determined following guidelines established by SBS Resolutions N°11356-2008 “Regulation for the evaluation and classification of the debtor and the requirement for provisions” and N°6941-2008 “Regulation for Managing the Risk of Retail Debtors with High Leverage Levels”.

During 2020, due to the national state of emergency due to Covid-19, through SBS Resolutions N°1314-2020 and N°3155-2020, the SBS established exceptional measures regarding provision for credit risk with respect to credits covered by the Guarantee of Reactiva Peru Program and rescheduled loans respectively, see note 6 (f).

In accordance with SBS Resolution N°11356-2008, the loan portfolio is separated into retail and non-retail borrowers, who could be individuals or legal entities. Retail borrowers have direct or indirect loans, classified as consumer (revolving and non-revolving), micro-business, small business or mortgage loans. Non-retail borrowers have direct or indirect loans classified as corporate, large business or medium business loans.

In general, these guidelines include the following three components: (i) the provision for loan losses which results from the classification of the loan portfolio, (ii) the pro-cyclical provision which is activated by the SBS based on the behavior of local macro-economic variables (until 2014), and (iii), the over-indebtedness provisions for retail borrowers, when applicable.

In this sense, Management periodically reviews and analyzes the loan portfolio, classifying it into the following categories: normal, potential problem, substandard, doubtful or loss, depending on the degree of risk of default of payment of each debtor.

For non-retail loans, the classification into one of the categories mentioned above considers, among others, the following factors: the payment history of the specific debtor, the history of the commercial relations with the debtor’s management, the debtor’s operating history, repayment capability and availability of funds of the debtor, the status of any collateral or guarantee received, the analysis of the debtor’s financial statements, the debtor’s risk classification given by other financial institutions; plus other relevant factors. For retail loans, the classification is based, mainly, on how long payments are overdue. Due to the state of emergency, the SBS ordered the freezing of the count of days in arrears between March 1 and August 31, 2020, for clients who were more than 15 days in arrears as of February 29, 2020.

The allowance rate for indirect loans, is determined according to the loan conversion factor, which can be 0, 20, 50 and 100 percent, on the basis of “Exposure equivalent to credit risk”.

The provision is computed considering the risk classifications assigned and using specific percentages, which vary depending on whether or not the loans are secured by self-liquidating preferred guarantees (mainly cash deposits and rights on credit certificates); highly liquid preferred guarantees (treasury bonds issued by the Peruvian Government, financial instruments of the Peruvian Central Bank - BCRP, debt instruments issued by governments and central banks traded on a stock exchange, among others) or preferred guarantees (primary pledge on financial instruments, machinery, property, agriculture products or mineral, insurance credit on exports, among others), considered at their net realizable value as determined by independent appraisers.

Furthermore, for the calculation of the provision, the classification of the guarantor or cosignatory must be considered, in case the credits have the joint and several responsibility of a company of the financial or insurance system (credits subject to the substitution of credit counterparty – CAC).

The provision for customers classified as doubtful or loss for more than 36 months or 24 months, respectively, is computed without considering the value of the guarantees.

For loans over 90 days past due, the expected loss is estimated and, if it is greater than the provision recorded, the Bank must record additional provisions.

In the case of debtors operating in countries where there is a higher risk of difficulties in servicing external debt, an assessment of the political and economic situation is made, and an additional country risk allowance is recorded.

Pro-cyclical provisions were calculated for loans classified as normal and according to the percentages established by the SBS. However, as of December 31, 2020, and 2019, the pro-cyclical component of the provision was deactivated and at that date the Bank and its subsidiaries maintained pro-cyclical provision which amounted to S/33.9 million and S/ 33.8 million respectively, as established by the Circular Letter SBS N°2224-2014.

Risk administration of over-indebtedness of retail borrowers is required by SBS Resolution No. 6941-2008, issued on August 25, 2008, “Regulation for managing the risk of over-indebtedness of retail borrowers”. This rule requires that financial entities establish an over-indebtedness risk management system that will enable them to reduce risk, prior to and after granting the loan; as well as constant monitoring of the loan portfolio to identify over-indebted debtors, which includes the periodic evaluation of the control mechanisms used , as well as the corrective actions or improvements required, as applicable. For provisioning purposes, the financial entities that fail to comply with this rule to the satisfaction of the SBS, must calculate the exposure equivalent to the credit risk by applying a 20 percent factor to the unused amount of revolving credit lines for micro-business and consumer loans, and on the basis of said amount, compute the provision according to the debtor’s classification.

In Management's opinion, as of December 31, 2020 and 2019, the Bank and its subsidiaries have complied with the requirements of SBS Resolution No. 6941-2008, so it was not necessary to record additional general provisions relating to the inadequate administration of risk of over-indebtedness.

As of December 31, 2020, and 2019, the Bank has recorded provisions for doubtful loan portfolio which exceed the minimum established by the regulations of the SBS, with the objective of covering additional risks of impairment which are estimated in the loan portfolio, based on the existence of objective evidence that the financial asset or a group of them is impaired.

The allowance for direct loans is presented as an asset deduction, while the allowance for indirect loans is presented as a liability; see Note 9(a).

g) Derivative financial instruments -

Derivative financial instruments are recorded in accordance with accounting criteria established by SBS Resolution N° 1737-2006 “Regulation for Trading and Accounting of Derivatives for Financial Entities” and amendments, as explained below:

Trading -

Derivative financial instruments are initially recognized at fair value recognizing an asset or liability in the consolidated statement of financial position, and the related gains and losses arising from changes in fair values are recorded in the consolidated statement of income. Also, derivative transactions are recorded as risks and contingent commitments at their reference values in the committed currency, see Note 18(d).

Fair values are estimated based on the market exchange and interest rates.

Hedging -

A derivative financial instrument that seeks to achieve a financial hedge for a given risk is designated as for hedge purposes if, at its negotiation, it is foreseen that changes in fair value or cash flows are expected to be highly effective in offsetting the fair value or cash flow changes of the hedged item attributable to the hedged risk from inception, which must be documented when the financial derivative is negotiated and during the period that the hedge relation exists. A hedge is considered as highly effective if changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80 to 125 percent.

If the SBS considers the documentation to be insufficient or finds weaknesses in the methodologies applied, it may require the immediate termination of the hedge relationship and the recording of the derivative financial instrument as trading, consequently, with effect from that date, the variations in fair value will be recognized in the result of the period.

For cash flow hedges, the effective portion of gain or loss over the hedge instrument, net of its tax effect, is recognized directly in equity, in the caption "Unrealized gains (losses)" as a cash flow hedge reserve. The ineffective portion of gain or loss of the hedging instrument is recognized in the consolidated statement of income. The amounts recorded in equity are transferred to the consolidated statement of income in the periods when the hedged item is recorded in the consolidated statement of income or when a planned transaction occurs.

For fair value hedges which qualify as such, changes in fair value of the hedge derivative are recognized in the consolidated statement of income. Changes in fair value of the hedged item attributed to the hedged risk are recorded as part of the balance of the hedged item and recognized in the consolidated statement of income.

If the hedge instrument expires, is sold, terminated or exercised, or when the hedge does not fulfill the hedging accounting criteria, the hedge relationship is prospectively terminated and the balances recorded in the consolidated statement of financial position are transferred to the consolidated statement of income during the term the hedged item is kept.

h) Investments at fair value through profit or loss (trading), available-for-sale and held-to-maturity -

As of December 31, 2020, and 2019, investments are valuated in accordance with Resolution SBS SBS N°7033-2012 and amendments.

The criteria for valuation of investments, according to their classification are as follows:

- Investments at fair value through profit or loss - Initial recognition is at fair value, recording the transaction costs associated with such investments as expenses. Subsequent measurement is at fair value and any gain or loss arising from changes in the initial cost and subsequent fair value is recognized directly in the consolidated statement of income.

- Investments available-for-sale - Initial recognition is at fair value, including the transaction costs that are directly attributable to their acquisition. Gains or losses originated by changes between the initial cost and fair value are recognized directly in equity, unless there is a permanent impairment in its value exists, which in this case is recognized in the consolidated statement of income. When an instrument is realized or sold, the unrealized gain or loss previously recognized as part of equity will be transferred to the consolidated statement of income.

  In the case of debt securities, before their subsequent measurement at fair value, the amortized cost is updated applying the effective interest rate; based on this amortized cost, gains or losses due to changes in fair value are recognized.

- Investments held-to-maturity - Initial recognition is at fair value, including the transaction costs that are directly attributable to their acquisition; subsequent measurement is at amortized cost, using the effective interest rate method.

  Transactions are recorded at the trade date, that is, the date of the assumption of the reciprocal obligations that must be complied with, within the term established by the regulations and practices of the market in which the transaction is performed.

  Interest is recognized using the effective interest rate, which includes both the interest receivable and the amortization of the premium or discount existing in the acquisition.

  Gains or losses from exchange differences related to the amortized cost of debt instruments affect the consolidated result of the period, and those related to the difference between the amortized cost and the fair value are recorded as part of the unrealized gain or loss in the consolidated equity.

  Equity instruments are considered non-monetary items, therefore, they are maintained at their historical cost in local currency, and the exchange differences are part of their valuation and are recognized as unrealized results in the consolidated equity.

  The difference between the revenues received from the sale of the investments and their book value is recognized in the consolidated statement of income.

  Impairment assessment -

  The Resolution No. 7033-2012, modified to SBS Resolution No. 2610-2018 establishes a standard methodology for the identification of the impairment of financial instruments classified as available-for-sale and held-to-maturity.

  Said methodology comprises an analysis, as described below:

  (i) Debt instruments -

  The occurrence of the following situations must be evaluated for the entire portfolio:

  1. Impairment of financial position or financial ratios of the issuer or its economic group.

  2. Discount in any of the credit ratings of the instrument or the issuer, in at least two (02) "notches", from the moment the instrument was acquired; where a "notch" corresponds to the minimum difference between two risk ratings within the same rating scale.

  3. Interruption of transactions or of an active market for the financial asset, due to issuer financial difficulties.

  4. The observable data indicates that since its initial recognition of a group of financial assets with characteristics similar to the instrument evaluated, there is a measurable decrease in its estimated future cash flows, although it can not yet be identified with individual financial assets of the group.

  5. Decrease in value due to legislation changes (taxes, regulatory or other governmental changes).

  6. Significant decrease in fair value below amortized cost. It will be considered as a significant decrease if the fair value at the closing date has decreased at least 40% below its amortized cost at that date.

7. Prolonged decrease in fair value. It will be considered as a prolonged decrease if the fair value at the closing date has decreased by at least 20% compared to the amortized cost of twelve (12) months ago and, the fair value at the closing date of each month during the period of twelve (12) previous months, has always remained below the amortized cost corresponding to the closing date of each month.

In case at least two (2) of the situations described above are met, it will be considered that there is impairment.

In case that at least two (2) of the situations described above have not been given, it is sufficient that one of the following specific situations be presented to consider that there is impairment:

1. Interruption of the interest or capital payments due to financial difficulties of the issuer.

2. Forced renegotiation of the contractual conditions of the instrument due to legal or financial difficulties related to the issuer

3. Evidence that the issuer is to enter into a forced restructuring or bankruptcy process.

4. Downgrading of the risk classification, classified as investment grade, towards a classification that is below the investment grade.

(ii) Equity Investments -

The occurrence of the following situations must be evaluated for the whole portfolio:

1. Downgrading of the risk classification, of a debt instrument classified as investment grade, towards a classification that is below the investment grade.

2. Adverse conditions of the investment and the issuer. Adverse conditions include unfavorable changes in the technological, market, economic or legal environment in which the investment or issuer operate.

3. Impairment of the financial position or financial ratios of the issuer or its economic group.

4. Interruption of transactions or of an active market due to financial difficulties of the issuer.

5. Observable data indicates that since the initial recognition of a financial assets group with similar characteristics to the instrument evaluated, it exists a measurable decrease in their estimated future cash flows, although it cannot be attributed to specific financial assets from the group.

6. Decrease in value due to legislation changes (taxes, regulatory or other governmental changes).

In case at least two (2) of the situations described above are met, it will be considered that there is impairment.

In case that at least two (2) of the situations described above have not been given, it is sufficient that one of the following specific situations be presented to consider that there is impairment:

1. Significant decrease in fair value below its acquisition cost. It will be considered as a significant decrease if the fair value at the closing date has decreased at least 40% below its cost value.

2. Prolonged decrease in fair value. It will be considered as a prolonged decrease if the fair value at the closing date has decreased by at least 20% compared to the fair value of twelve (12) months ago and, the fair value at the closing date of each month during the period of twelve (12) previous months, has always remained below the cost of acquisition.

3. Breach of the statutory provisions by the issuer, related to the payment of dividends.

4. Evidence that the issuer is to enter into a forced restructuring or bankruptcy process.

As of December 31, 2020 and 2019, the change in the impairment policy with respect to 2018 has not had a significant impact on the consolidated financial statements.

i) Investments in associates -

An associate is an entity over which the Bank and its Subsidiaries exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity, but without exercising control over said policies.

The considerations taken into account to determine significant influence are similar to those necessary to determine control over subsidiaries.

The Bank's investments in its associates are recognized initially at fair value, including the transaction costs that are directly attributable to their acquisition. These investments are subsequently accounted for using the equity method. In the case of securities that are quoted in centralized trading mechanisms, when their market value shows a declining trend for reasons considered non-temporary, the Bank and its Subsidiaries must record an impairment provision, however, the SBS, at its discretion, may require a higher impairment provision to be recorded.

The investments in associates are included in "Other assets" in the consolidated statement of financial position; gains resulting from the use of the equity method are included in "Other income" of the consolidated statement of income.

j) Property, furniture and equipment and depreciation -

Property, furniture and equipment are recorded at historical acquisition cost, less accumulated depreciation and accumulated amount of impairment losses of the asset, if applicable, see paragraph (s) below. Historical acquisition costs include the expenses that are directly attributable to the acquisition of property, furniture and equipment. Maintenance and repair costs are charged to the consolidated statement of income; significant renewals and improvements are only capitalized when it is probable that future economic benefits, in excess of the originally assessed standard of performance, will flow from the use of the acquired property, furniture and equipment and if its cost can be reliably assessed. The cost and corresponding accumulated depreciation of the assets sold or retired are eliminated in the respective accounts and the gain or loss generated is included in the results for the period.

Work in progress and in transit units are recorded at their acquisition cost. These goods are not depreciated until they are operational.

Land is not depreciated. Depreciation of the other items under this heading is computed on a straight-line basis over the following estimated useful lives:

	Years
Buildings and other constructions	33
Installations	10
Furniture and fixtures	10
Computer hardware	4
Equipment and vehicles	5

The residual value and the useful life assigned are reviewed annually to ensure that they are consistent with the future economic benefit and life expectancies of property, furniture and equipment items.

Gains and losses on disposals of property, furniture and equipment are recorded in the statement of income within non-financial income from sale of fixed assets.

k) Seized assets, assets received in payment and adjudicated assets -

Realizable assets include assets purchased specifically for granting them as part of finance leasing operations and are recorded initially at their acquisition cost; realizable assets not granted in finance lease operations are recorded at the lower of cost or market value.

Assets received in payment, adjudicated and seized (originating from terminated finance lease contracts) are initially recorded at the value assigned to them, through a legal proceeding, out-of-court settlement, market value or at the unpaid value of the debt, whichever is lower. At the time of initial recognition, a provision equivalent to 20 percent of the above determined value must be recorded; for this purpose, it is permitted to reclassify the allowance for loan losses that was originally provided for the related loan.

Thereafter, additional provisions should be recorded using the following guideline:

- Assets other than real estate - a uniform monthly provision is established with effect from the first month of the dation, seizure or recovery, for a period of twelve months, until providing for one hundred percent of the net seized or recovered value.

- Real estate - uniform monthly provisions are made over the net carrying amount obtained at the twelfth month; as long as the six-month extension contemplated in SBS Resolution N°1535-2005 has not been obtained, in which case uniform monthly provisions are made over the net carrying amount obtained in the eighteenth month. In both situations, the provisions are made until providing for one hundred percent of the net carrying amount in a term of three and a half years, starting from the date in which monthly provisions began to be made.

The annual update of the valuations of these assets, determined by an independent appraiser, involves, if necessary, the recording of impairment provisions.

l) Business combination -

Business combinations are accounted for using the acquisition method according to IFRS 3 "Business Combinations". The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Bank and its Subsidiaries elect whether to measure the non-controlling interest in the acquired business at fair value or at the proportionate share of the acquired business's identifiable net assets. Acquisition costs incurred are expensed and included in the caption "General and administrative expenses" of the consolidated statement of income.

When the Bank acquires a business, it assesses the financial assets and liabilities assumed for their appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquired business.

Any contingency to be transferred by the acquirer must be recognized at fair value at the acquisition date. The contingency classified as an asset or liability that is a financial instrument and is within the scope of SBS Manual of Accounting, is measured at fair value with changes in the consolidated statement of income or as a change in the consolidated statement of comprehensive income. If the contingency is not within the scope of SBS Manual of Accounting, it is measured in accordance with the applicable IFRS. The contingency that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Acquisition of a non-controlling interest is recorded directly in the consolidated statement of changes in equity; the difference between the amount paid and the share of the net assets acquired is recorded as an equity transaction. Therefore, no additional goodwill is recorded upon purchase of the non-controlling interest, nor is a gain or loss recognized upon disposal of the non-controlling interest.

The net equity attributable to the non-controlling interest is presented separately in the consolidated statement of financial position. The profit attributable to the non-controlling interest is presented separately in the statement of income and the statement of comprehensive income.

As of December 31, 2020, and 2019, there have been no business combinations.

m) Finite useful life intangible assets -

The intangible assets are included in the caption “Other assets, net” of the consolidated statement of financial position and are recorded at historical acquisition cost less accumulated amortization and accumulated impairment losses, if applicable; see following paragraph (s). These assets are composed principally of acquisition and development of software used by the Bank and its Subsidiaries in their own operations, which are recorded at cost; cession of brand use rights, which are recorded considering the related contract; as well as finite useful life intangible assets identified in the acquisition of Edyficar and Mibanco in 2009 and 2014, respectively, which were recognized in the consolidated statement of financial position at their fair values determined at their acquisition date, corresponding to the brand name; customer relationships, and depositor relationships, see Note 9(e).

The amortization of the finite useful life intangible assets of the Bank and its Subsidiaries is calculated using the straight-line method, based on their estimated useful lives, see Note 9(e).

According to SBS Resolution N° 1967-2010, finite useful life intangible assets are amortized over a maximum period of five years.

n) Indefinite useful life intangible assets - Goodwill -

Goodwill is the excess of the aggregate of the consideration transferred and the fair value recognized for the acquisition of the net value of the identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, then the gain is recognized in the statement of income.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units (CGU) of the Bank and its Subsidiaries that are expected to benefit from the business combination, irrespective of whether other assets or liabilities of the acquired business have been distributed to these units.

If the goodwill has been distributed to a CGU and part of the assets with which said unit operates are disposed of, the goodwill and the assets disposed of are included in the carrying amount of the transaction upon determining the loss or reduction for said disposal. Under these circumstances, the goodwill disposed of is measured based on the relative value of the assets disposed of and the retained portion of the CGU.

Impairment of goodwill is determined by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

o) Bonds and subordinated Notes issued -

Includes the liabilities from the issuance of the various types of bonds and subordinated Notes, which are initially recorded at their fair value plus the incremental costs related to the transaction that are directly attributable to the instrument's issuance. Upon initial recognition, they are measured at their amortized cost applying the effective interest rate method. The amortized cost is calculated taking into account any issuance discount or premium, as well as the costs that are an integral part of the effective interest rate and the hedged bonds are at fair value. The hedged bonds are recorded at their fair value.

Likewise, accrued interest is recognized in the consolidated statement of income in the account "Interest on bonds and subordinated Notes issued" of the "Finance expenses" item, according to the contractual terms.

p) Income tax -

Current Income tax is calculated on the basis of taxable income determined for tax purposes, which is determined using principles that differ from the accounting principles used by the Bank and its Subsidiaries.

Therefore, the Bank and its Subsidiaries have recorded deferred income taxes, considering the guidelines of IAS12 - Income Tax. Deferred income tax reflects the effects of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts determined for tax purposes. Deferred assets and liabilities are measured using the tax rates expected

to be applied to taxable income in the years in which temporary differences are expected to be recovered or settled. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences which arise from the way in which the Bank and its Subsidiaries expect to recover or settle the carrying amount of its assets and liabilities at the date of the consolidated statement of financial position.

The carrying amount of deferred tax assets and deferred tax liabilities may change even though there is no change in the amount of temporary differences, due to a change in the rate of income tax. The effect of the change in deferred tax, corresponding to the tax rate change shall be recognized in the consolidated statement of income for the period, except for items previously recognized outside the consolidated statement of income (either in other comprehensive income or directly in equity).

Deferred tax assets and liabilities are recognized without taking into consideration the time when it is estimated that temporary differences will be written off. Deferred assets are recognized when it is probable that sufficient future tax benefits will exist for the deferred assets to be applied. As at the date of the consolidated statement of financial position, Management evaluates the non-recognized deferred assets and the balance of the recognized assets, recording a deferred asset not previously recognized to the extent that probable future tax benefits will allow its recovery, or reducing a deferred asset to the extent that it is not likely that sufficient future tax benefits will be available to use part or all of the deferred assets previously recognized.

In accordance with IAS 12, the Bank and its Subsidiaries determine their deferred income tax considering the tax rate applicable to its retained earnings; any additional tax on dividend distribution is recorded on the date a liability is recognized.

q) Share-based payment transactions -

The Bank has a voluntary share-based participation plan, which was implemented in the year 2009 and consists of granting a number of shares of Credicorp Ltd. For said purpose, the Bank acquires each year shares of Credicorp Ltd., which are legally delivered to the executives, vesting in 3 years from the granting date (March or April of each year).

The Bank is responsible of settle the transaction with Credicorp Ltd shares, recording it as though they were settled in cash.

When terms or price of the plan are modified, the effect of the change is recorded in the consolidated statement of income.

r) Asset Impairment -

When changes or certain events indicate that the value of an asset may not be recoverable, it is submitted to tests in order to verify that there is no permanent impairment in its value. When the carrying amount of the asset exceeds its recoverable value, a loss for impairment is recognized in the consolidated statement of income. The recoverable value is the higher between the net sale price and its value in use. The net sale price is the amount that can be obtained from the sale of an asset in a free market, while the value in use is the present value of the estimated future cash flows provided by the continuous use of an asset and its disposal at the end of its useful life. The recoverable amounts are estimated for each asset or, if not possible, for each cash generating unit.

s) Fiduciary activities -

Assets and cash flows from fiduciary operations in which there is a commitment to return such assets and cash flows to clients and in which the Bank and its Subsidiaries participate as a fiduciary, have been excluded from these consolidated financial statements, because the Bank and its Subsidiaries are not owners of said assets and cash flows and they do not assume the risks and rewards that arise from their ownership. The commissions for these activities are included in the caption “Commissions for banking services, net”.

t) Provisions -

Provisions are only recognized when the Bank and its Subsidiaries have a present (implicit or legal) obligation as a result of past events, it is probable that an outflow of resources will be required to settle said obligation and, at the same time, the amount can be reliably estimated. Provisions are reviewed in each period and are adjusted to reflect their best estimate at the date of the consolidated statement of financial position. When the effect of the time value of money is significant, the amount of the provision is the present value of future payments required to settle the obligation.

u) Contingencies -

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in Notes to the consolidated financial statements, unless the possibility of an outflow of economic resources is remote.

Contingent assets are not recognized in the consolidated financial statements but they are disclosed when their degree of contingency is probable.

v) Earnings per share -

Basic and diluted earnings per share are calculated by dividing the net profit by the weighted average number of shares in circulation during the period. Shares that are issued due to the capitalization of retained earnings are deemed to be stock splits; therefore, for the computation of the weighted average number of shares, they are considered as if they had always been issued.

As of December 31, 2020 and 2019, the Bank and its Subsidiaries do not have financial instruments with dilutive effects, therefore, basic and diluted earnings per share are the same.

w) Repurchase agreements -

Through SBS Resolution No. 5790-2014, which took effect from September 3, 2014, the SBS approved the new "Regulations for repo transactions applicable to financial entities" which replaced the "Regulation for repo transactions and repurchase agreements" approved by Resolution No.1067-2005 SBS and its amendment.

The Resolution allows the development of sales operations with repurchase agreements, simultaneous sale and purchase of securities and operations of temporary transfer of securities; it also establishes the accounting treatment of said transactions.

The rules laid down in this Regulation are in accordance with the criteria in IAS 39 "Financial Instruments: Recognition and Measurement".

Securities sold under agreements to repurchase at a specified future date are not derecognized from the consolidated statement of financial position, as the Bank and its Subsidiaries retain substantially all of the risks and rewards of ownership. The related cash received is recognized in the consolidated statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability in the caption "Payables from repurchase agreements", reflecting the transaction's economic substance as a loan to the Bank and its Subsidiaries.

The difference between the sale and repurchase prices is recorded in the caption "Financial expenses" of the consolidated statement of income and is accrued over the life of the agreement using the effective interest rate.

In the same way, securities purchased under agreements to resell at a specified future date are not recognized in the consolidated statement of financial position. The consideration paid, including accrued interest, is recorded in the consolidated statement of financial position, in the caption "Receivables from reverse repurchase agreements", reflecting the transaction's economic substance as a loan by the Bank and its Subsidiaries. The difference between the purchase and resale prices is recorded in the caption "Financial Income" of the consolidated statement of income and is accrued over the life of the agreement using the effective interest rate.

If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale in the caption "Financial liabilities designated at fair value through profit or loss" of the consolidated statement of financial position, and measured at fair value, with any gains or losses included in the caption "Other non-finance income" and "Other operating expenses", as applicable, in the consolidated statement of income".

Securities lending transactions are usually collateralized by securities. The transfer of the securities to counterparties is only reflected on the consolidated statement of financial position if the risks and rewards of ownership are also transferred.

x) Purchase operation and repurchase agreement of foreign currency -

On January 6, 2015, Circular N°002_2015-BCRP came into effect, including three additional currency reporting schemes for the purpose of supporting the process of de-dollarization of credit; denominated as Expansion (with the objective of supporting credit growth in local currency and for which the amount transferred in foreign currency to BCRP will be deducted from the general regime of legal cash reserve requirement in foreign currency), Substitution (with the objective of supporting the conversion of credits in foreign currency into local currency); and Regular (used to alleviate liquidity requirements), annulling the previous circulars.

Under these three schemes, the Bank receives cash in soles from BCRP that it must return at maturity, for which it recognizes a liability in the caption "Payable for repurchase agreements" in the statement of financial position, including accrued interest computed according to the method of the effective interest rate. Simultaneously, the Bank delivers cash in American dollar to BCRP; the availability of which will be restricted until the maturity of the operation, so the Bank records an asset under "Restricted funds" in the consolidated statement of financial position.

The interest generated by the cash received will be recorded in the caption "Financial Expenses", in the consolidated statement of income.

y) Cash and cash equivalents -

Cash and cash equivalents presented in the statement of consolidated cash flows correspond to the balances of available funds from the statement of financial position; which include deposits with less than three months to maturity from the acquisition date, term deposits with BCRP, funds deposited in central banks and “overnight” deposits, excluding restricted funds.

z) International Financial Reporting Standards (IFRS):

(z.i) IFRS issued and in effect in Peru as of December 31, 2020 -

The CNC has issued the following Resolutions during the period 2020:

- Resolution No. 001-2020-EF / 30, issued on July 14, 2020, makes official the set of International Financial Reporting Standards version 2020: Conceptual Framework for financial information, from IAS 1 to IAS 41, of the IFRS 1 to IFRS 17, pronouncements 7, 10, 25, 29 and 32 of the SIC, as well as the interpretations of the IFRIC from 1 to 23 ”, also formalizes the modifications to IAS 1 -“ Presentation of Statements Financial ”and IFRS 16 -“ Leases ”(Rent reductions related to Covid-19).

- Resolution No. 002-2020-EF / 30, issued on September 8, 2020, formalizes the amendments to IAS 16 - "Property, plant and equipment", IFRS 3 "Business Combinations", IFRS 4 - "Contracts for insurance ”, IAS 37 -“ Provisions, contingent liabilities and contingent assets ”, IFRS 1 -“ First-time adoption of International Financial Reporting Standards, IFRS 9 - “Financial instruments” and IAS 41 - “Agriculture”.

The application of the versions is from the day following the issuance of the Resolution, or later, according to the entry into force stipulated in each specific standard.

The following standards and interpretations came into effect from January 1, 2020; however, not all the standards are adopted by financial institutions in Peru, unless the SBS decides on their adoption.

- Amendments to IAS 1 “Presentation of Financial Statements”.
- Amendments to IAS 8 "Accounting policies, changes in accounting estimates and errors".
- Amendments to IFRS 3 “Business Combinations”.
- Amendments to Conceptual Framework references in the IFRS Standards.

Through Multiple Official Letter 467-2019-SBS of January 7, 2019, the SBS specified that IFRS 16 “Leases” will not be applicable to supervised companies, and must continue to apply specific standards issued, as well as IAS 17 - “Leases” In what is not specified by them.

Their application of the versions is from the day following the issuance of the CNC Resolution or afterwards, according to the effective date stipulated in each specific standard.

(z.ii) IFRS issued but not yet effective as of December 31, 2020 -

New IFRS and amendments, the application of which is not required for the year 2020 and which have not been early adopted by the Bank. The new standards and amendments which are relevant for the Bank are summarized below:

- Amendments to IAS 16: Property, plant and equipment. These amendments are effective for annual periods that began on or after January 1, 2022.Early application is allowed.

- Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Assets. These amendments are effective for annual periods that began on or after January 1, 2022.Early application is allowed.

- Amendment to IFRS 1 First-time adoption of International Financial Reporting Standards. Effective for annual periods beginning on January 1, 2022. Early application is allowed.

- Amendments to IFRS 3: Business Combinations. Applicable to business combinations whose acquisition date is from the beginning of the first annual period that is reported to start as of January 1, 2022.

- Amendments to IFRS 9: Financial Instruments. These amendments are effective for annual periods that began on or after January 1, 2022.Early application is allowed.

Because these standards only apply in a supplementary manner to the accounting principles and practices established by the SBS, the Bank and its subsidiaries have not estimated any effect on their financial statements if said standards were adopted; since to date the SBS has not issued a ruling on the matter.

4 CASH AND DUE FROM BANKS

The composition of this item is presented below:

	2020 S/000	2019 S/000
Cash and clearing (a)	4,619,875	4,312,853
Deposits with Peruvian Central Bank (BCRP) (a)	26,003,477	18,367,713
Deposits with local and foreign banks (b)	2,403,346	946,205
Accrued interest	1,351	14,186
Total cash and cash equivalents	33,028,049	23,640,957
Restricted funds (c)	1,336,958	3,068,989
Total cash and due from banks	34,365,007	26,709,946

(a) These accounts mainly include the legal cash requirements that the Bank and its Subsidiaries must keep to be able to honor their obligations with the public, and they are within the limits established by current legislation. These funds consist of the following:

	2020 S/000	2019 S/000
Legal cash requirements:		
Deposits with BCRP	16,904,003	13,727,284
Cash in vaults of the Bank and its Subsidiaries	4,529,683	4,132,347
Total legal cash requirements	21,433,686	17,859,631
Additional funds:		
Overnight deposits	2,972,744	4,640,429
Term deposits with BCRP	5,988,900	-
Other Deposits BCRP	137,830	-
Cash and others	90,192	180,506
Total additional funds	9,189,666	4,820,935
Total	30,623,352	22,680,566

As of December 31, 2020, cash and deposits subject to legal cash requirements in local and foreign currency are subject to an implicit rate of 4.00 percent and 34.51 percent, respectively, of the total balance of obligations subject to reserve, as required by the BCRP (5.01 percent and 35.06 percent, respectively, as of December 31, 2019).

The legal cash requirements funds which represent the legal minimum are non-interest-bearing; however, the legal cash requirements maintained in the BCRP in excess of the legal minimum, bear interest at a nominal rate established by the BCRP. With foreign currency they generate interest at a rate equivalent to Libor 1 month minus 50 basis points, in local currency they generate interest at interest rate of overnight deposits in soles minus 195 basis points.

As of December 31, 2020, the excess in foreign currency amounts to approximately US$3,562.6 million, equivalent to approximately S/12,899.9 million and bears interest in US dollars at an average annual rate of 0.0060 percent (US$3,243.0 million, equivalent to approximately S/10,747.3 million, at an average annual rate of 1.25 percent, as of December 31, 2019); at that date the excess in national currency amounts to approximately S/3.8 million and did not accrue interest, since the interest rate on overnight deposits was lower than the 195 basic discount points (S/2.6 million, and no interest accrued, as of December 31, 2019).

As of December 31, 2020, the available funds have two overnight operations with the Central Reserve Bank of Peru, one for US$666.40 million equivalent to S/2,413.0 million at a nominal rate of 0.13 percent with a 4 day maturity and another for S/559.71 million at an effective rate of 0.15 percent with a 4 day maturity. As of December 31, 2019, the available funds include an overnight operation with the Central Reserve Bank of Peru, one for US$1,291.6 million, equivalent to S/4,280.4 million at a nominal rate of 1.57 percent with a 2 day maturity.

(b) Deposits with local and foreign banks -

Deposits in local and foreign banks correspond mainly to balances in soles and American dollar; all deposits are unrestricted and bear interest at market rates. At December 31, 2020 and 2019, the Bank and its Subsidiaries do not maintain significant deposits with any particular bank.

(c) Restricted funds -

The Bank and its Subsidiaries maintain restricted funds related to:

	2020	**2019**
	S/000	**S/000**
Repurchase Agreements with BCRP (*)	1,104,686	2,798,695
Repurchase Agreements with other entities	10,182	96,556
Derivative financial instruments	212,813	165,335
Others	9,277	8,403
Total	1,336,958	3,068,989

(*) Correspond to deposits in American dollars maintained in the BCRP which guarantee repurchase agreements amounting to S/1,055.0 million at December 31, 2019 (S/2,800.4 million at December 31, 2019), see Note 5(e).

The cash and cash equivalents presented in the consolidated statement of cash flows, excludes the restricted funds, see Note 3(y).

5 INVESTMENTS

a) The investments at fair value through profit or loss and available-for-sale investments are made up as follows:

	2020				2019			
		Unrealized gross amount				Unrealized gross amount		
	Amortized cost	Gains	Losses	Estimated fair value	Amortized cost	Gains	Losses	Estimated fair value
	S/000	S/000	S/000	S/000	S/000	S/000	S/000	S/000
Investments at fair value through profit or loss (trading) - (i)	-	-	-	2,163,871	-	-	-	-
Accrued interest	-	-	-	4,629	-	-	-	-
Balance of investments at fair value through profit or loss				2,168,500				-
Available-for-sale investments:								
Certificates of deposits BCRP (ii)	15,343,852	20,432	-	15,364,284	8,649,884	15,388	(1)	8,665,271
Sovereign bonds – Republic of Peru (iii)	8,297,827	611,633	-	8,909,460	3,527,534	274,780	-	3,802,314
Corporate bonds (iv)	4,197,911	121,707	(1,806)	4,317,812	1,273,992	48,116	(1,090)	1,321,018
Foreign governments bonds (v)	175,554	7,689	-	183,243	229,924	1,090	(17)	230,997
Negotiable certificates of deposit (vi)	399,597	12,387	-	411,984	-	-	-	-
Listed equity securities – Credicorp Ltd.	97,617	-	-	97,617	86,074	-	-	86,074
Securitization instruments	44,635	3,373	(604)	47,404	18,299	1,910	-	20,209
Peruvian Treasury bonds	25,434	235	-	25,669	-	-	-	-
Non-listed equity securities	5,057	1,786	(364)	6,479	10,257	1,573	-	11,830
Investment funds	36	-	(36)	-	36	-	(36)	-
	28,587,520	779,242	(2,810)	29,363,952	13,796,000	342,857	(1,144)	14,137,713
Accrued interest				227,134				93,465
Balance of available-for-sale investments				29,591,086				14,231,178

(i) As of December 31, 2020, the balance mainly includes certificates of deposit BCRP amounting to S/1,872.9 million, Peruvian government bonds amounting to S/158.6 million and foreign government bonds amounting to S/66.2 million (as of December 31, 2019, the entire portfolio was sold).

(ii) As of December 31, 2020, the Bank and its subsidiaries maintains 153,760 certificates of deposits BCRP, which are instruments issued at a discount through public auction of BCRP, traded on the Peruvian secondary market and payable in soles (87,530 certificates of deposits BCRP, as of December 31, 2019).

(iii) As of December 31, 2020, Peruvian sovereign bonds correspond to issuances made by Republic of Peru in Soles amounting to S/8,909.5 million (S/3,802.3 million in soles as of December 31,2019).

(iv) As of December 31, 2020, corporate bonds include bonds issued by companies from Peru, the United States, Colombia and other countries, which represent 40.4 percent, 33.4 percent, 9.7 percent and 16.5 percent of the total, respectively (bonds issued by companies from Peru, Colombia, the United States and other countries, which represent 63.4 percent, 17.1 percent, 8.8 percent and 10.7 percent of the total, respectively, as of December 31, 2019).

(v) As of December 31, 2020, the foreign government bonds amounting to US$28.1 million, equivalent to S/101.7 million, and US$22.5 million, equivalent to S/81.5 million, correspond to bonds issued by the Government of Colombia and Chile, respectively (US$51.3 million, equivalent to S/170.0 million, and US$18.4 million, equivalent to S/61.0 million, correspond to bonds issued by the Government of Chile and Colombia, respectively, as of December 31, 2019).

(vi) As of December 31, 2020, negotiable certificates of deposit amounting to COP386,839.6 million, equivalent to S/412.0 million, correspond a certificates issued by the financial system of Colombia.

b) As of December 31, 2020, the Bank holds interest rate swaps (“IRS”), which were designated as fair value hedges of certain fixed-rate US dollar bonds issued by corporate companies for a notional amount of S/628.7 million (IRS designated as fair value hedges of certain fixed-rate US dollar bonds issued by corporate companies for a notional amount of S/618.8 million, as of December 31, 2019), see Note 9 (b). Through these IRS, these bonds were economically converted to a variable rate.

As of December 31, 2020, the Bank maintains currency swaps (“CCS”) which were designated as hedges of certain corporate bonds and negotiable certificates of deposit, for a notional amount of S/487.0 million with similar principal and maturity, see Note 9 (b); through these CCS, the bonds and negotiable certificates of deposit were economically converted to soles at a fixed rate (CCS designated as hedges of certain corporate bonds for a notional amount of S/107.4 million, as of December 31, 2019).

c) As of December 31, 2020 and 2019 the maturities and the annual market rates of the investments available-for-sale in debt instruments are as follows:

	Maturity		Effective annual interest rates											
			2020						2019					
			S/		US$		Other currency		S/		US$		Other currency	
	2020	2019	Min %	Max %	Min %	Max %	Min %	Max %	Min %	Max %	Min %	Max %	Min %	Max %
Certificates of deposit BCRP	Jan-21/Mar-23	Jan-20/Jul-21	0.25	0.73	-	-	-	-	2.02	2.35	-	-	-	-
Sovereign bonds - Republic of Peru	Sep-23/Aug-40	Aug-24/Aug-40	0.74	5.01	-	-	-	-	2.97	5.25	-	-	-	-
Corporate bonds	May-21/Apr-36	May-20/Apr-36	0.61	7.55	0.40	8.82	5.82	6.25	6.33	7.90	2.03	7.47	6.45	6.55
Foreign government bonds	Jul-21/Feb-28	Feb-20/Feb-28	-	-	0.12	1.35	-	-	-	-	1.31	2.81	-	-
Negotiable certificates of deposit	Jan-21/Jan-23	-	-	-	-	-	1.46	3.21	-	-	-	-	-	-
Securitization instruments	Nov-29/Sep-34	Nov-29	3.97	10.64	1.51	1.51	-	-	-	-	3.08	3.08	-	-
Peruvian treasury bonds	Jul-25	-	-	-	1.03	1.03	-	-	-	-	-	-	-	-

As of December 31, 2020 and 2019, Management has estimated the market value of investments at fair value through profit or loss (trading) and available-for-sale using quotations available in the market or, if the price was not available, by discounting the expected future cash flows at an observable market interest rate that reflects the risk classification of the financial instrument.

Management of the Bank and its Subsidiaries has determined that the unrealized losses of available-for-sale investments as of December 31, 2020 and 2019 are of a temporary nature. The Bank and its Subsidiaries have decided and have the ability to maintain each of these available-for-sale investments for a period of time sufficient to allow for an anticipated recovery in fair value, which can occur at their maturity in the case of debt instruments.

d) Held-to-maturity investments -

As of the date of the consolidated statement of financial position, this item is made up as follows:

	2020 S/000	2019 S/000
Sovereign bonds - Republic of Perú (i)	4,740,274	3,277,710
Certificates of payment on work in progress (ii)	89,095	100,298
	4,829,369	3,378,008
Accrued interest	104,662	78,136
Total	4,934,031	3,456,144

(i) As of December 31, 2020, the estimated fair value of held-to-maturity investments amounts to S/5,438.9 million, maturing between September 2023 and February 2042 and accruing interest at an effective annual rate between 0.74 and 5.06 percent for bonds issued in soles (the estimated fair value of held-to-maturity investments amounts to S/3,694.4 million, maturing between August 2020 and February 2042 and accruing interest at an effective annual rate between 2.14 and 5.28 percent for bonds issued in Soles, as of December 31, 2019).

(ii) As of December 31, 2020, there are 121 certificates of Annual Recognition of Payment for Work Progress (CRPAOs from Spanish acronym) issued by the Peruvian Government to finance projects and concessions, said issuance is a mechanism established in the concession agreement signed between the State and the concessionaire, which allows the latter to obtain financing to continue with the work undertaken. The investment in CRPAOs amounts to S/89.1 and its estimated fair value amounts to S/93.6 million, with maturities between January 2021 and April 2026 accruing interest at an effective annual rate between 2.42 and 3.47 percent (153 CRPAOs, with an investment amounting to S/100.3 million with maturities between January 2020 and April 2026 accruing interest at an effective annual rate between 3.74 and 4.67 percent, as of December 31, 2019).

During the years 2020 and 2019, S/1.0 million and S/2.3 million, respectively, was accrued in each year of net unrealized results that were recorded in equity, and were transferred to the heading "Net gain in the purchase and sale of investments available for sale" Of the consolidated income statement. As of December 31, 2020, an unrealized loss amounting to S/5.6 million corresponding to the investments that were reclassified of category (unrealized loss amounting to S/4.6 million net as of December 31, 2019).

As of December 31, 2020 and 2019, Management of the Bank and its Subsidiaries has determined that unrealized loss on certain held-to-maturity investments are temporary in nature. Accordingly, at said dates, the Bank and its Subsidiaries have recognized no impairment loss on their held-to-maturity investments.

e) At December 31, 2020 and 2019 , the Bank and its Subsidiaries have repurchase agreements with: (i) cash, see Note 4, (ii) available-for-sale investments, see Note 5 (a), (iii) held-to-maturity investments, see Note 5 (d) and (iv) loans, see Note 6, as shown in the table below:

	2020			2019		
	Maturity	**Carrying amount S/000**	**Guarantee**	**Maturity**	**Carrying amount S/000**	**Guarantee**
Peruvian Central Bank (BCRP), Reactiva (i)	May-23/Dic-23	20,916,438	Credits with National Government Guarantee represented in titles and securities	-		
Peruvian Central Bank (BCRP)	Mar-21/Jul-24	2,903,266	Available-for-sale investments and held -to-maturity investments	Jun-20/Nov-20	1,504,087	Available-for-sale investments and held-to-maturity investments
Peruvian Central Bank (BCRP) see Note 4	Feb-21/Mar-23	1,055,000	Cash	Feb-20/Oct-20	2,800,400	Cash
Peruvian Central Bank (BCRP), Reactiva Especial (i)	Jun-23/Dic-23	756,387	Credits with National Government Guarantee represented in titles and securities	-		
Natixis	Aug-28	270,000	Held-to-maturity investments	Aug-20/Aug-28	570,000	Held-to-maturity investments
Citigroup Global Markets Limited (ii)	Aug-26	162,945	Available-for-sale investments	Aug-26	149,130	Available-for-sale investments
Natixis (iii)	Aug-26	90,525	Available-for-sale investments	Aug-26	82,850	Available-for-sale investments
Nomura International PLC, (iv)	-	-	Held-to-.maturity investments and cash	Aug-20	265,120	Held-to-.maturity investments and cash
Nomura International PLC, (v)	-	-	Held-to-.maturity investments and cash	Aug-20	231,980	Held-to-.maturity investments and cash
Citigroup Global Markets Limited	-	-	Held-to-maturity investments	Aug-20	100,000	Held-to-maturity investments
		26,154,561			5,703,567	
Yields		113,026			99,769	
		26,267,587			5,803,336	

As of December 31, 2020, the Bank maintained repurchase agreements for approximately S/26,154.5 million guaranteed mainly with cash for approximately S/1,104.6 million (see Note 4), for Reactiva program credits S/23,936.0 million and other financial instruments (BCRP certificates of deposit, foreign government bonds, sovereign bonds and Peruvian treasury bonds) classified as investments available for sale and held to maturity for an approximate value of US$1,136.8 million, equivalent to S/4,116.4 million (repurchase agreements totaling S/5,703.5 million guaranteed with cash for approximately S/2,798.7 million and other financial instruments classified as investments available for sale and held to maturity for an approximate value of US$988.6 million, equivalent to S/3,276.2 million, as of December 31, 2019). Said transactions accrue interest at a fixed rate between 0.5 percent and 6.73 percent and at a variable rate between Libor six months plus 1.90 percent, as of December 31, 2020 (between 3.0 percent and 7.20 percent and between Libor three months plus 0.80 percent and Libor six months plus 1.90 percent, respectively, as of December 31, 2019).

Certain repurchase agreements were hedged through interest rate swaps (IRS) and cross currency swaps (CCS), as detailed bellow:

(i) Through Reporting Operations, the Bank sells securities representing credits guaranteed by the National Government to the Central Reserve Bank of Peru (BCRP), receives soles and is obliged to buy them back at a later date. The securities representative of Credits with Guarantee of the National Government can have the form of portfolio of representative credits of credits (Reactive Credits) or of Certificates of Participation in trust of loan portfolio guaranteed by the National Government (Special Reactive Credits). The BCRP will charge monthly for the Operation a fixed interest rate in soles of 0.5 percent per annum and will include a grace period of twelve months without payment of interest or principal.

(ii) As of December 31, 2020, the Bank and its subsidiaries maintain a CCS which was designated as cash flow hedge of certain repurchase agreements in US dollars at a variable rate for a nominal amount of US$45 million, equivalent to S/162.9 million (US$45 million, equivalent to S/149.1 million, as of December 31, 2019). Through the CCS, these repurchase agreements were economically converted into soles at a fixed rate, see Note 9(b).

(iii) As of December 31, 2020, the Bank and its subsidiaries maintain a CCS which was designated as cash flow hedge of certain repurchase agreements in US dollars at a variable rate for a nominal amount of US$25 million, equivalent to S/90.5 million (US$25 million, equivalent to S/82.8 million, as of December 31, 2019). Through the CCS, these repurchase agreements were economically converted into soles at a fixed rate, see Note 9(b).

(iv) As of August 31, 2020, the interest rate swap (IRS) that the Bank held as a cash flow hedge of a repurchase agreement in US dollars at a variable rate for an amount of US$80.0 million, equivalent to S/283.5 million (US$80.0 million, equivalent to S/265.1 million, as of December 31, 2019). Through the IRS, said repurchase agreement was economically converted to a fixed rate. Likewise, the cross currency swap (CCS) expired, which was designated in a combined manner with the IRS, which the Bank maintained as a cash flow hedge since, through said instrument, the repurchase agreement was economically converted to soles at a fixed rate, see Note 9(b).

(v) As of August 31, 2020, the cross currency swap (CCS) that the Bank maintained as a cash flow hedge of a repurchase agreement in US dollars at a variable rate expired for a nominal amount of US$70.0 million, equivalent to S/248.0 million (US$70.0 million, equivalent to S/232.0 million, as of December 31, 2019). Through the cross currency swap (CCS), said repurchase agreement was economically converted to soles at a fixed rate, see Note 9(b).

The balance of investments at fair value through profit or loss (trading), available-for-sale and held-to-maturity as of December 31, 2020 and 2019, classified by contractual maturity, (accrued interest is not considered) consists of the following:

	2020 S/000	2019 S/000
Up to 3 months	15,698,202	2,215,504
From 3 months to 1 year	2,134,252	6,868,619
From 1 to 3 years	2,735,614	1,059,614
From 3 to 5 years	3,041,846	2,399,885
More than 5 years	12,643,182	4,874,195
Without maturity	104,096	97,904
Total	36,357,192	17,515,721

6 LOANS, NET

a) As of December 31, 2020 and 2019 this item includes the following:

	2020 S/000	2019 S/000
Direct loans		
Loans	104,189,517	81,156,314
Leasing receivable	5,775,917	5,978,421
Credit cards	5,506,988	8,371,208
Discounted notes	1,481,695	2,198,449
Factoring receivables	2,153,689	2,015,513
Advances and overdrafts in current accounts	41,979	152,436
Refinanced and Restructured loans	1,624,381	1,163,988
Total loans to fall due	120,774,166	101,036,329
Past due loans and under court collection	4,546,737	3,163,185
Total gross loans	125,320,903	104,199,514
Add (less)		
Accrued interest from current loans	773,505	751,948
Deferred interest on discounted Notes	(218,530)	(87,451)
Allowance for loan losses (e)	(8,494,508)	(4,527,881)
Total direct loans	117,381,370	100,336,130
Indirect loans, Note 18(a)	19,932,472	19,421,696

b) Direct loans from Reactiva Peru program amount to S/24,286.5 million and those from FAE-MYPE program amount to S/353.5 million as of December 31, 2020.

c) As of December 31, 2020 and 2019, 51 percent of the direct and indirect loan portfolio was concentrated in approximately 101,519 and 75,198 clients, respectively.

As of December 31, 2020 and 2019, the distribution of the direct loan portfolio by segments, according to Resolutions SBS N°11356-2008, Note 3(f), is as follows:

	2020 S/000	2019 S/000
Non-retail loans		
Corporate	25,038,310	24,668,855
Large-business	21,313,092	17,490,828
Medium-business	28,237,599	16,269,604
Subtotal	74,589,001	58,429,287
Retail loans		
Mortgage	17,856,020	17,144,333
Revolving and non-revolving consumer loans	13,521,735	14,438,981
Small-business	14,779,098	11,003,469
Micro-business	4,575,049	3,183,444
Subtotal	50,731,902	45,770,227
Total	125,320,903	104,199,514

d) According to SBS regulations, as of December 31, 2020 and 2019, the risk classification of the loan portfolio of the Bank and its Subsidiaries is as follows:

	2020						2019					
Risk category	Direct loans		Indirect loans		Total		Direct loans		Indirect loans		Total	
	S/000	%	S/000	%	S/000	%	S/000	%	S/000	%	S/000	%
Normal	112,067,185	89.42	17,041,214	85.49	129,108,399	88.88	96,518,800	92.63	18,022,393	92.80	114,541,193	92.65
Potential problems	5,806,027	4.64	1,211,383	6.08	7,017,410	4.83	2,884,537	2.77	406,247	2.09	3,290,784	2.66
Substandard	2,148,739	1.71	1,368,548	6.87	3,517,287	2.43	1,171,148	1.12	696,963	3.59	1,868,111	1.51
Doubtful	1,880,988	1.50	155,472	0.78	2,036,460	1.40	1,491,995	1.43	133,324	0.69	1,625,319	1.31
Loss	3,417,964	2.73	155,855	0.78	3,573,819	2.46	2,133,034	2.05	162,769	0.83	2,295,803	1.87
	125,320,903	100.00	19,932,472	100.00	145,253,375	100.00	104,199,514	100.00	19,421,696	100.00	123,621,210	100.00

e) As of December 31, 2020 and 2019, financial entities in Peru must constitute their allowance for loan losses based on the risk classification indicated in paragraph (c) and using the percentages indicated in Resolution SBS N°11356-2008, as follows:

(i) For loans classified as “Normal”:

Loan type	**Fixed rate**	**Pro-cyclical components (*)**
	%	**%**
Corporate	0.70	0.40
Large-business	0.70	0.45
Mortgage	0.70	0.40
Medium-business	1.00	0.30
Small-business	1.00	0.50
Revolving consumer	1.00	1.50
Non-revolving consumer	1.00	1.00
Micro-business	1.00	0.50

(*) In case the credit granted has preferred self-liquidating guarantees (CGPA), the pro-cyclical component was 0, 0.25 percent or 0.30 percent depending on the type of credit. According to what is indicated in Note 3(f), with effect from November 2014, the pro-cyclical provision was deactivated by the SBS.

(ii) For loans classified as “Potential problems”, “Substandard”, “Doubtful” and “Loss”; depending on whether the loans are: Loans Without Guarantees (LWG), Loans With Preferred Guarantees (LWPG) or Loans With Readily Preferred Guarantees (LWRPG) or Credit With Highly Liquid Preferred Guarantees (CGPA):

Risk category	**LWG**	**LWPG**	**LWRPG**	**LWHLPG**
	%	**%**	**%**	**%**
Potential problems	5.00	2.50	1.25	1.00
Substandard	25.00	12.50	6.25	1.00
Doubtful	60.00	30.00	15.00	1.00
Loss	100.00	60.00	30.00	1.00

For loans subject to substitution of credit counterparty, Note 3(f), the allowance requirement depends on the classification of the respective counterparty, for the amount covered, regardless of the debtor credit risk classification, using the percentages indicated above.

Due to the state of national emergency, the SBS exceptionally established a Provision rate for credit risk of zero percent to the part of the credits covered for the guarantee of the Reactiva Peru program and Business Support Fund for the MYPE (FAE-MYPE). For the part that does not have the coverage of the guarantee granted, corresponds to the provision of the original type of credit according to classification corresponding to the debtor of the credit.

As of December 2020, through SBS Resolution No. 3155-2020, the SBS required the financial system companies apply specific provisions to consumer loans, micro and small business rescheduled COVID-19 from debtors with normal classification applying the corresponding rates to credits with potential problems. Further, established the provisioning requirement corresponding to the deficient risk category for the accrued interests of current rescheduled loans, corresponding to the consumer, micro and small business portfolios, for which the client has not made the payment of at least one full installment that includes principal in the last six months at closing of month.

Likewise, it establishes a period of gradual adaptation for the constitution of provisions for the capital of the rescheduled loans, until December 31, 2020 at least provisions have been made for those loans for which the client has made payment of at least one full installment that includes capital in the last six months as of December 31, 2020; and, until December 31, 2021 to constitute all of the provisions for which the company must define a schedule that allows recognizing timely provisions during fiscal year 2021. As of December 31, 2020, the Bank complied with the constitution of all the provisions required by S/309.9 millions.

f) The movement of the allowance for loan losses (direct and indirect loans) is shown below:

	2020 S/000	2019 S/000	2018 S/000
Balance as of January 1	4,847,449	4,791,396	4,758,791
Provision, net of recoveries (i)	5,023,837	1,798,506	1,507,847
Recovery portfolio	147,851	254,039	280,207
Loan portfolio written-off	(1,103,576)	(1,767,348)	(1,544,071)
Sale of judicial portfolio (ii)	(30,362)	(143,729)	(192,879)
Exchange difference	95,456	(18,299)	47,760
Condonations and others	(48,167)	(67,116)	(66,260)
Balance as of December 31	8,932,488	4,847,449	4,791,396
Allowance for indirect loan losses (Note 9)	(437,980)	(319,568)	(330,684)
Allowance for direct loan losses (Note 6(a))	8,494,508	4,527,881	4,460,712

(i) During 2020, it includes additional provisions to those established by the SBS amounting to S/2,140.1 million to incorporate expected credit losses due to economic deterioration and increase in default probability of all segments of loan portfolio as a consequence of the effects of COVID-19 pandemic, see note 2.

(ii) During 2020, a portion of the judicial collection portfolio and the portfolio punished for was sold for S/31.4 million and S/190.5 million and the portfolio respectively, with a value of S/34.2 million and S/2.8 million respectively.

Total income is included in the Consolidated Income Statement under "Other non-financial income" for S/35.8 million (Note 22).

In the opinion of the Management of the Bank and its Subsidiaries, the allowance for loan losses recorded as of December 31, 2020 and 2019, has been determined in accordance with SBS regulations in force as of those dates, see Note 3(f).

g) A portion of the loan portfolio is secured by guarantees received from clients, which are principally composed of mortgages, stand-by letters, financial instruments, and industrial and commercial pledges.

h) Interest accrued on the loan portfolio is freely agreed considering the current interest rates prevailing in the markets where the Bank and its Subsidiaries operate.

Interest, commissions and expenses on loans or installments which are past due, refinanced, under legal collection, or classified in the “Doubtful” or “Loss” categories, are recorded in the consolidated statement of income when they are effectively collected. The amounts which were not recognized as income in this respect amounted to S/2,471.6 million and S/1,983.0 million as of December 31, 2020 and 2019, respectively.

i) As of December 31, 2020 and 2019, the direct gross loan portfolio classified by maturity, based on the remaining period to repayment date is as follows:

	2020 S/000	2019 S/000
Outstanding loans:		
Up to 1 month	9,191,859	10,665,545
From 1 to 3 months	18,661,323	13,233,570
From 3 months to 1 year	25,982,764	25,388,138
From 1 to 3 years	33,431,934	24,030,028
From 3 to 5 years	8,662,870	8,662,870
More than 5 years	21,638,016	19,056,178
Outstanding loans total	120,774,166	101,036,329
Past due loans and court collection:		
Up to 4 months	1,306,346	981,026
More than 4 months	1,791,281	970,242
Court collection	1,449,110	1,211,917
Past due loans and court collection total	4,546,737	3,163,185
Total	125,320,903	104,199,514

j) At the beginning of the year 2017, the natural disaster known as the "Fenómeno del Niño Costero" occurred, which affected several areas of Peru, which were declared in a state of emergency. As a result of the rains and flooding, economic losses and payment difficulties occurred among the debtors of these areas.

As a consequence of the above, the SBS, through Circular Official Letter No. 10250-2017 of March16, 2017, established that the companies of the financial system could amend the contractual conditions of the different types of credit of the retail debtors, without the amendment constituting a refinancing, as long as the total term was not extended more than 6 months. In this sense, the Bank and its Subsidiaries presented a total of S/341.2 million and S/500.3 million at December 31, 2020 and 2019 respectively, of reprogrammed credits within the category of current credits. The classification of this portfolio has been within the categories normal and with potential problems.

k) As of December 30, 2020, the Bank maintains a currency swap (CCS) for a nominal amount of ¥5,000.0 million equivalent to S/175.4 million (JPY5,000 million equivalent to S/152.5 million, as of December 31, 2019), which has been broken down by risk variables into two currency swaps (CCS) in order to be designated as cash flow hedge of a bond issued in yen at a fixed rate; Through said currency swap (CCS), this bond was converted into soles at a fixed rate and as cash flow coverage of credits for US$46.0 million equivalent to S/166.6 million (US$46.0 million equivalent to S/152.5 million, as of December 31, 2019); Through said currency swap (CCS), these credits have been converted into soles.

l) Due to the effects of the COVID-19 pandemic, BCP and subsidiaries have offered their Retail Banking clients the opportunity to reschedule their loans for 30 or 90 days without incurring overdue commissions and principal interest. As of December 2020, the rescheduled portfolio amounts to a total of S/24,813.2 million.

In the loan portfolio, the most vulnerable segments are: Mibanco and within BCP Pyme-Pyme and individual individuals, where debt rescheduling rates reached 15.28%, 20.76% and 33.54% respectively at the end of December, see Note 2. As of December 31, 2020, the distribution of the rescheduled loan portfolio by segment, due to the effects of the COVID-19 pandemic, is as follows:

	BCP S/000	MIBANCO S/000	SEAH S/000	Total S/000
Reschedule loans				
Non-retail loans				
Corporate	478,217	-	-	478,217
Large-business	1,868,184	-	-	1,868,184
Medium-business	5,380,254	225,216	-	5,605,470
Total non-retail loans	7,726,655	225,216	-	7,951,871
Retail loans				
Mortgage	6,504,586	196,203	37,817	6,738,606
Revolving and non-revolving consumer loans	4,346,006	238,699	-	4,584,705
Small-business	1,390,600	3,513,769	-	4,904,369
Micro-business	10,297	623,324	-	633,621
Total retail loans	12,251,489	4,571,995	37,817	16,861,301
Total reschedule loans	19,978,144	4,797,211	37,817	24,813,172

7 PROPERTY, FURNITURE AND EQUIPMENT, NET

a) The movement of property, furniture and equipment and accumulated depreciation for the years ended December 31, 2020, 2019, and 2018:

	Land	Buildings and other construction	Installations	Furniture and fixtures	Computer hardware	Vehicles and equipment	Work in progress and in-transit units	2020	2019	2018
	S/000	S/000	S/000	S/000	S/000	S/000	S/000	S/000	S/000	S/000
Cost -										
Balance as of January 1	337,779	1,107,549	997,520	411,834	516,322	116,347	69,013	3,556,364	3,667,424	3,669,890
Additions	-	1,604	4,430	15,466	13,607	942	41,803	77,852	128,087	139,161
Sales	(734)	(1,034)	(1,386)	-	(14)	(241)	-	(3,409)	(14,180)	(55,629)
Transfers	-	8,906	22,462	1,529	8,997	3,632	(45,526)	-	-	-
Disposals and others	(1,583)	(902)	(19,337)	(27,894)	(57,394)	(6,185)	(6,467)	(119,762)	(224,967)	(85,998)
Balance as of December 31	335,462	1,116,123	1,003,689	400,935	481,518	114,495	58,823	3,511,045	3,556,364	3,667,424
Accumulated depreciation -										
Balance as of January 1	-	704,425	760,342	265,068	450,120	88,988	-	2,268,943	2,321,571	2,234,877
Depreciation for the year	-	28,650	42,441	29,229	31,790	7,480	-	139,590	151,069	182,732
Sales	-	(494)	(1,276)	-	-	(241)	-	(2,011)	(6,627)	(26,488)
Disposals and others	-	(844)	(15,928)	(26,720)	(58,334)	(5,349)	-	(107,175)	(197,070)	(69,550)
Balance as of December 31	-	731,737	785,579	267,577	423,576	90,878	-	2,299,347	2,268,943	2,321,571
Net carrying amount	335,462	384,386	218,110	133,358	57,942	23,617	58,823	1,211,698	1,287,421	1,345,853

b) Banks in Peru are not allowed to pledge their fixed assets.

c) During 2020, the Bank, as part of the investment in fixed assets made annually, has made disbursements mainly related to the remodeling of its headquarters located in La Molina and the comprehensive remodeling of the Dasso Cafe office. During 2019, as part of the investment in fixed assets made annually, it has made disbursements related mainly to the remodeling of its headquarters located in La Molina and the comprehensive remodeling of the Cusco Branch.

d) As part of the strategy implemented in 2020, the Management decided to carry out the sale of properties, the main one was the property located on Av. Francisco Bolognesi, Chimbote district, Ancash department and the second property located on Ayabaca street, district and province of Ica, whose sale price of both properties amounted to S/3.3 million. As part of the strategy implemented in 2019, Management decided to sell real estate, the main one was the property located on Morelli Street in the San Borja district, whose sale price amounted to S/6.6 million, respectively.

e) The Bank and its Subsidiaries maintain insurance over their main assets, according to policies established by Management.

f) Management periodically reviews the fixed assets' residual value, their useful lives and the selected depreciation method to ensure that they are consistent with their economic benefits and life expectations. In the opinion of the Management of the Bank and its Subsidiaries, there is no evidence of impairment of the fixed assets held by the Bank as of December 31, 2020 and 2019.

8 GOODWILL

Goodwill acquired through business combinations has been allocated to cash-generating units (also identified as a "CGU") for the purposes of impairment testing made by Management which evaluates the results and allocates resources to each CGU. The Goodwill generated from the acquisition of Edyficar and Mibanco amount to S/276,321 thousands as of December 31, 2020 and 2019.

The recoverable amount of all CGUs has been determined based on calculations of fair value less selling cost, determined by discounting the future cash flows expected to be generated from the continuing use of the CGU.

The table below summarizes the key assumptions used for the calculation of fair value less selling cost for 2020 and 2019:

Description	**As of December 31, 2020**		**As of December 31, 2019**	
	Perpetual growth rate	**Discount rate**	**Perpetual growth rate**	**Discount rate**
	%	**%**	**%**	**%**
Edyficar and Mibanco	3.00	12.19	5.00	12.35

9 OTHER ASSETS, NET AND OTHER LIABILITIES

a) As of December 31, 2020 and 2019 these items include the following:

	2020 S/000	2019 S/000
Other assets, net		
Account receivables from financials instruments		
Derivatives receivable (b)	897,792	830,335
Accounts receivable, net (c)	800,885	859,976
Operations in process (d)	62,243	83,183
	1,760,920	1,773,494
Non-financial instruments		
Finite life intangible assets, net (e)	1,269,595	1,129,008
Deferred income tax asset, net, see Note 13(a)	1,072,809	399,000
Deferred expenses (f)	790,983	812,343
Advance income tax payment, net	259,498	-
Realizable, received in payment and seized assets, net	57,583	86,436
Value added tax credit	-	18,837
Others	10,498	10,501
	3,460,966	2,456,125
Total	5,221,886	4,229,619
Other liabilities		
Account liabilities from financials instruments		
Derivatives payable (b)	881,504	788,393
Other accounts payable (c)	585,150	343,316
Allowance for indirect loan losses, see Note 6(e)	437,980	319,568
Suppliers account payable	236,043	282,225
Salaries payable	155,796	178,537
Employee’s legal participations	150,757	241,424
Employee’s additional participations	86,924	144,974
Operations in process (d)	72,586	71,195
Share based payments, see Note 16	62,677	54,993
	2,669,417	2,424,625
Non-financial instruments		
Provision for sundry risks (g)	301,959	278,370
Taxes payable	134,325	294,966
Deposit Insurance fund	49,946	38,568
Others (h)	198,731	183,309
	684,961	795,213
Total	3,354,378	3,219,838

b) The risk in derivatives contracts arises from the possibility that the counterparty does not fulfill the terms and conditions agreed, and that the reference rates, at which the transaction was agreed, change.

The following table presents, as of December 31, 2020 and 2019, the fair value of the derivative financial instruments, recorded as an asset or a liability, together with their notional amounts and maturity. The gross nominal amount is the amount of a derivative’s underlying asset and liability and is the basis upon which changes in fair value of derivatives are measured, see Note 18(d).

	2020				2019				2020 and 2019
	Assets S/000	Liabilities S/000	Notional amount S/000	Maturity	Assets S/000	Liabilities S/000	Notional amount S/000	Maturity	Related instruments
Derivatives held for trading (i) -									
Forward exchange contracts	74,503	81,414	15,594,378	Between January 2021 and April 2022	145,568	109,112	17,900,245	Between January 2020 and May 2021	-
Interest rate swaps	478,815	480,700	14,800,915	Between January 2021 and December 2031	230,232	299,810	18,192,820	Between January 2020 and December 2031	-
Currency swaps	315,202	171,367	8,194,803	Between January 2021 and January 2033	354,072	308,970	8,085,727	Between January 2020 and January 2033	-
Foreign currency options	1,176	2,050	310,975	Between January 2021 and June 2021	1,292	892	246,989	Between January 2020 and December 2020	-
	869,696	735,531	38,901,071		731,164	718,784	44,425,781		
Derivatives designated as cash flow hedging (ii) -									
Interest rate swaps (IRS) 12(a)(xiii)	-	2,525	108,630	March 2022	-	-	-	-	Bonds issued
Interest rate swaps (IRS) 12(a)(xi)	-	1,473	253,470	March 2021	-	2,555	231,980	March 2021	Bonds issued
Interest rate swaps (IRS) 11(b)(i)	-	315	362,100	March 2021	102	1,111	662,800	Between May 2020 and November 2020	Due to banks
Interest rate swaps (IRS) 11(b)(iii)	-	72	181,050	March 2021	55	715	984,258	February 2020 and November 2020	Due to banks
Interest rate swaps (IRS) 11(b)(ii)	-	60	181,050	March 2021	114	-	331,400	August 2020	Due to banks
Interest rate swaps (IRS) 11(b)(iv)	-	-	-	-	-	1,045	629,660	Between May 2020 and June 2020	Due to banks
Interest rate swaps (IRS) 11(b)(v)	-	-	-	-	315	839	994,200	Between May 2020 and August 2020	Due to banks
Interest rate swaps (IRS) 11(b)(vi)	-	-	-	-	-	447	331,400	June 2020	Due to banks
Cross currency swaps (CCS) 5(b)	18,224	550	81,813	Between January 2023 and September 2024	20,803	1,167	107,425	Between May 2021 and September 2024	Available for sale investments
Cross currency swaps (CCS) 12(a)(viii)	5,090	-	181,050	January 2025	-	8,197	165,700	January 2025	Bonds issued
Cross currency swaps (CCS) 6(j)/12(a)(xii)	4,782	-	175,345	August 2021	-	2,822	152,545	August 2021	Bonds issued
Cross currency swaps (CCS) 5(b)	-	56,133	298,200	Between January 2021 and January 2023	-	-	-	-	Available for sale investments
Cross currency swaps (CCS) 5(e)(ii)	-	29,001	162,945	August 2026	-	30,352	149,130	August 2026	Repurchase agreements
Cross currency swaps (CCS) 5(b)	-	17,994	107,033	Between February 2021 and February 2022	-	-	-		Available for sale investments
Cross currency swaps (CCS) 5(e)(iii)	-	11,797	90,525	August 2026	-	12,235	82,850	August 2026	Repurchase agreements
Cross currency swaps (CCS) 11(b)(vii)	-	-	-	-	7,626	-	331,400	January 2020	Due to banks
Cross currency swaps (CCS) 5(e)(v)	-	-	-	-	30,741	-	231,980	August 2020	Repurchase agreements
Cross currency swaps and interest rate swaps (CCS and IRS) 5(e)(iv)	-	-	-	-	39,415	-	265,120	August 2020	Repurchase agreements
Fair value hedge -									
Interest rate swaps (IRS) 5(b)	-	26,053	628,677	Between March 2022 and May 2023	-	8,124	618,789	Between June 2021 and May 2023	Available for sale investments
	28,096	145,973	2,811,888		99,171	69,609	6,270,637		
	897,792	881,504	41,712,959		830,335	788,393	50,696,418		

(i) Held-for-trading derivatives are mainly negotiated to satisfy clients' needs. On the other hand, the Bank and its Subsidiaries may also take positions with the expectation of profiting from favorable movements in prices or rates. Also, this caption includes any derivatives which do not comply with SBS hedge accounting requirements or approvals. The fair value of the derivatives held for trading, classified by maturity is as follows:

	As of December 31, 2020						As of December 31, 2019					
	Up to 3 months S/000	From 3 months to 1 year S/000	From 1 to 3 years S/000	From 3 to 5 years S/000	Over 5 years S/000	Total S/000	Up 3 months S/000	From 3 months to 1 year S/000	From 1 to 3 years S/000	From 3 to 5 years S/000	Over 5 years S/000	Total S/000
Forward exchange contracts	53,706	20,797	-	-	-	74,503	130,510	15,054	4	-	-	145,568
Interest rate swaps	584	8,914	38,338	19,280	411,699	478,815	2,240	3,082	20,933	5,551	198,426	230,232
Currency swaps	9,346	11,499	122,673	31,586	140,098	315,202	5,309	101,161	67,071	67,826	112,705	354,072
Foreign currency options	379	797	-	-	-	1,176	1,235	57	-	-	-	1,292
Total assets	64,015	42,007	161,011	50,866	551,797	869,696	139,294	119,354	88,008	73,377	311,131	731,164
Forward exchange contracts	48,902	32,503	9	-	-	81,414	91,858	17,090	164	-	-	109,112
Interest rate swaps	2,186	8,417	35,344	35,969	398,784	480,700	3,459	5,093	26,846	14,174	250,238	299,810
Currency swaps	10,462	32,437	86,265	19,900	22,303	171,367	40,549	92,567	43,857	50,665	81,332	308,970
Foreign currency options	676	1,374	-	-	-	2,050	219	673	-	-	-	892
Total liabilities	62,226	74,731	121,618	55,869	421,087	735,531	136,085	115,423	70,867	64,839	331,570	718,784

(ii) The Bank and its Subsidiaries are exposed to movements in future cash flows on assets and liabilities in foreign currency or which bear interest at variable rates. The Bank and its Subsidiaries use derivative financial instruments as cash flow hedges to cover these risks, according to Note 3(g).

A summary indicating the periods when the current cash flow hedges are expected to occur and that affect the consolidated statement of income, net of deferred income tax is as follows:

	Up to 1 year S/000	From 1 to 3 years S/000	From 3 to 5 years S/000	More than 5 years S/000	Total S/000
As of December 31, 2020					
Cash inflows (asset)	1,268,082	229,366	275,235	255,963	2,028,646
Cash outflows (liability)	(1,347,995)	(274,482)	(265,536)	(236,859)	(2,124,872)
Consolidated statement of income	(4,939)	(5,314)	(4,969)	(25,891)	(41,113)
As of December 31, 2019					
Cash inflows (asset)	5,081,355	301,865	84,786	254,968	5,722,974
Cash outflows (liability)	(4,693,775)	(330,220)	(91,678)	(335,702)	(5,451,375)
Consolidated statement of income	(8,950)	(4,367)	(487)	(18,138)	(31,942)

The net unrealized loss from the cash flow hedges which is included as other comprehensive income in the caption “cash flow hedge reserves”, results from the current hedges (as of December 31, 2020 and 2019; unrealized loss for approximately S/41.1 million and S/31.9 million, respectively) and the hedges revoked (as of December 31, 2020 and 2019, unrealized loss for approximately S/0.7 million and unrealized gain for approximately S/1.2 million, respectively), which is being transferred to the consolidated statement of income during the remaining term of the underlying financial instrument.

c) Other accounts receivable mainly correspond to operations and sale of foreign currency and sale of securities in the final days of the month, which were liquidated during the initial days of the following month. Other accounts payable mainly correspond to purchases of securities and purchases of foreign currency in the final days of the month, which were liquidated during the initial days of the following month.

d) According to the operational capacity of the Bank and its Subsidiaries, operations in process are related to deposits received, loans granted and/or collected, funds transferred and similar operations, carried out in the final days of the month, which are reclassified to their definitive accounts in the following month. The regularization of these transactions does not affect the consolidated results of the Bank and its Subsidiaries.

e) The movement of intangible assets of limited life for the years ended December 31, 2020, 2019 and 2018 is as follows:

Description	Brand name	Client relationships	Core deposits intangible	Software and other developments	Intangibles assets in progress	2020	2019	2018
	S/000	S/000	S/000	S/000	S/000	S/000	S/000	S/000
Cost								
Balance at January 1	170,700	84,200	21,100	2,058,953	321,829	2,656,782	2,378,562	2,116,747
Additions (i)	-	-	-	77,781	391,713	469,494	358,962	317,555
Transfers	-	-	-	163,861	(163,861)	-	-	-
Disposals	-	-	-	(13,158)	(57,320)	(70,478)	(80,742)	(55,740)
Others	-	-	-	(1,403)	97	(1,306)	-	-
Balance as of December 31	170,700	84,200	21,100	2,286,034	492,458	3,054,492	2,656,782	2,378,562
Accumulated amortization								
Balance as of January 1	39,261	69,166	20,222	1,399,125	-	1,527,774	1,354,627	1,231,771
Amortization for the year	6,828	12,029	878	240,813	-	260,548	229,461	178,496
Disposals and others	-	-	-	(3,425)	-	(3,425)	(56,314)	(55,640)
Balance as of December 31	46,089	81,195	21,100	1,636,513	-	1,784,897	1,527,774	1,354,627
Net carrying amount	124,611	3,005	-	649,521	492,458	1,269,595	1,129,008	1,023,935

(i) During 2020, financial year, the activated disbursements were mainly related to the implementation and development of various IT projects such as Identify Access Management, Bidirectional Communication for Fraud alerts, HomeBanking 2.0, among others.

During 2019, the disbursements activated related mainly to the implementation and development of several IT projects such as DataLake, Cliente 360, Connex para Mainframe, Yape, among others.

Management periodically reviews the intangibles' residual value, their useful life and the amortization method used to ensure that they are consistent with their economic benefits and life expectations. In the opinion of the Management of the Bank and its Subsidiaries, there is no evidence of impairment in the intangibles held by the Bank and its Subsidiaries as of December 31, 2020 and 2019.

f) As of December 31, 2020, the balances corresponds mainly to the payment in favor of Latam Airlines Group S.A. Sucursal Perú for US$165.1 million, equivalent to S/597.9 million (US$202.0 million, equivalent to S/669.4 million, as of December 31, 2019) on account of Latam Pass Miles that the Bank must acquire from January 2020.

g) As of December 31, 2020 and 2019, the provision for sundry risks comprises the estimated losses due to legal procedures against the Bank and its Subsidiaries, related to operational risk and other similar obligations that were recorded based on the estimates of Management and its internal legal advisors. In the opinion of Management and its internal legal advisors, no additional significant liabilities will result to those already recorded by the Bank and its Subsidiaries. The movement is as follows:

	2020 S/000	2019 S/000
Balance at the beginning of the period	278,370	274,867
Additions to the provision	24,069	7,425
Reversal	(2,811)	-
Payments	(6,937)	(6,769)
Difference instead	3,645	(597)
Others	5,623	3,444
Balance at the end of the period	301,959	278,370

h) The balance corresponds mainly to the structuring of commissions related to the loan portfolio.

10 DEPOSITS AND OBLIGATIONS

a) As of December 31, 2020, and 2019 this caption includes:

	2020 S/000	2019 S/000
Non-interest bearing deposits and obligations -		
In Peru	49,171,159	31,441,510
In other countries	934,586	444,912
	50,105,745	31,886,422
Interest bearing deposits and obligations -		
In Peru	76,285,135	67,077,593
In other countries	448,715	221,661
	76,733,850	67,299,254
	126,839,595	99,185,676
Interest payable for deposits and obligations	132,360	247,485
Total	126,971,955	99,433,161

The Bank and its Subsidiaries have established a policy to pay interest on demand deposits and savings deposits according to a growing interest rate scale, based on the term and the average balance maintained in those accounts. Additionally, as part of this policy, it was established that accounts with balances lower than a determined amount for each type of account, do not bear interest.

Interest rates applied to the different deposit accounts and obligations are determined by the Bank and its Subsidiaries considering current interest rates in the markets where they operate.

b) As of December 31, 2020 and 2019 the deposits and obligations by type of product are classified as follows:

	2020 S/000	2019 S/000
Demand deposits	50,602,304	32,200,966
Saving deposits	47,406,102	32,867,095
Time deposits (d)	19,891,446	25,039,955
Severance indemnity deposits	7,736,747	7,897,199
Negotiable bank certificates	1,202,996	1,180,461
	126,839,595	99,185,676
Interest payable	132,360	247,485
Total	126,971,955	99,433,161

The increase in mainly due to funds disbursed by the government through Reactiva Peru program intended for economic reactivation of companies, funds released from the AFPs, stimulus checks granted to individuals, and other injection of liquidity measures as a result of COVID-19 crisis, see note 2.

c) At December 31, 2020 and 2019, of the total balance of deposits and obligations, approximately S/45,448.1 million and S/35,511.9 million, respectively, are secured by the Peruvian "Fondo de Seguro de Depósitos" (Deposit Insurance Fund). At said dates, maximum amount of coverage per depositor recognized by "Fondo de Seguro de Depósitos" totaled S/101,522 and S/100,661, respectively.

d) The balance of time deposits classified by maturity is as follows:

	2020 S/000	2019 S/000
Up to 3 months	13,123,537	13,688,228
From 3 months to 1 year	5,183,128	7,250,873
From 1 year to 3 years	828,491	3,818,419
From 3 to 5 years	744,616	248,402
Over 5 years	11,674	34,033
Total	19,891,446	25,039,955

11 DUE TO BANKS, CORRESPONDENTS AND OTHER ENTITIES

a) As of December 31, 2020 and 2019, this item is made up as follows

	2020 S/000	2019 S/000
By type:		
Due to banks, correspondents and financial institutions (b)	2,396,626	5,342,919
Promotional credit lines (c)	3,203,263	2,938,981
Due to related parties (d)	233,610	365,767
	5,833,499	8,647,667
Interest payable	10,177	12,631
Total	5,843,676	8,660,298

	2020 S/000	2019 S/000
By due date:		
Short-term debt	1,699,567	5,143,323
Long-term debt	4,144,109	3,516,975
Total	5,843,676	8,660,298

b) As of December 31,2020 and 2019, it includes debts to banks and correspondents and financial institutions borrowings to finance foreign trade operations and for working capital. This item is made up as follow:

	2020 S/000	2019 S/000
Corporación Financiera de Desarrollo (COFIDE)*	624,480	406,710
Citibank N.A. (i)	362,100	662,800
The Toronto Dominion Bank	271,575	-
Banco de la Nación	260,000	-
Bank of New York (ii)	181,051	331,400
Sumitomo Mitsui Banking Corporation (iii)	181,050	984,258
Wells Fargo Bank (iv)	181,050	730,074
Banco BBVA Perú	107,900	85,000
Scotiabank Perú S.A.A.	100,000	100,000
Bankinter	72,420	-
Bank of America (v)	-	994,200
Banco de Desarrollo de América Latina (CAF) (vi)(vii)	-	662,800
Caja Municipal de Ahorro y Crédito de Arequipa S.A.	-	140,000
Standard Chartered Bank	-	86,827
International Finance Corporation (IFC)	-	83,825
Others	55,000	75,025
	2,396,626	5,342,919

As of December 31, 2020, the borrowings have maturities between January 2021 and March 2032 (at December 31, 2019, they had maturities between January 2020 and March 2032). Additionally, interest accrual is calculated based on rates which fluctuate between 0.45 percent and 7.25 percent (2.0 percent and 8.67 percent at December 31, 2019).

(*) As of December 2020, the amount of S/334.75 million for FAE-MYPE is being included as part of the balance of the Development Finance Corporation (COFIDE),with an annual interest rates of 3.88 percent. As of December 31, 2019, there were no FAE-MYPE loans.

(i) As of December 31, 2020, the balance corresponded to US$100.0 million equivalent to S/362.1 million (US$200.0 million equivalent to S/662.8 million, as of December 31, 2019) is hedged by a swap of interest rate interest (IRS) for a nominal amount equal to the principal and the same maturity, Note 9 b, said loan was economically converted at a fixed rate.

(ii) As of December 31, 2020, the balance corresponded to US$50.0 million equivalent to S/181.1 million (US$100.0 million equivalent to S/331.4 million, as of December 31, 2019) is hedged by an interest rate swap (IRS) for a nominal amount equal to the principal and equal maturity, Note 9 b, said loan was economically converted at a fixed rate.

(iii) As of December 31, 2020, the balance corresponds to US$50.0 million equivalent to S/181.1 million (US$297.0 million equivalent to S/984.3 million, as of December 31, 2019) is hedged by an interest rate swap (IRS) for a nominal amount equal to the principal and equal maturity, Note 9 b, said loan was economically converted at a fixed rate.

(iv) As of December 31, 2020, the agreed loans for a total of US$190.0 million were due, (US$190.0 million equivalent to S/629.7 million, as of December 31,2019) that were hedged by interest rate swaps (IRS) for amounts nominal amounts equal to the principal and the same maturities, Note 9 b, said loans were economically converted at a fixed rate.

(v) As of December 31, 2020, the agreed loans for a total of US$300.0 million were due, (US$300.0 million equivalent to S/994.2 million as if December 31,2019 that is they were hedged by rate swaps (IRS) for nominal amounts equal to the principal and equal maturities, Note 9 b, said loans were economically converted at a rate fixed.

(vi) As of December 31, 2020 the agreed loans for a total of US$100 million were due, (US$100.0 million equivalent to S/331.4 million, as of December 31, 2019) that remained hedged by an interest rate swap (IRS) for a nominal amount equal to the principal and same maturity, Note 9 b, said loan was economically converted to a fixed rate.

(vii) Likewise, at December 31, 2020, the agreed loans for a total of US$100 million were due, (US$100.0 million, equivalent to S/331.4 million, at December 31, 2019) which was hedged by two currency swaps (CCS) whose sum of nominals was equal to the principal and equal maturity, Note 9 b, said loan was economically converted to a liability with cash flows in soles and at a fixed rate in soles.

c) Promotional credit lines represent borrowings received from Corporación Financiera de Desarrollo (COFIDE) and Fondo de Cooperación para el Desarrollo Social (FONCODES) to promote the social development of Peru, have maturities between January 2021 and July 2029, and their annual interest rates fluctuate between 3.98 percent and 7.25 percent in soles and 6.40 percent in dollars, at December 31, 2020 (between January 2020 and January 2025 and between 4.20 percent and 7.75 percent at December 31, 2019). These credit lines are guaranteed by a loan portfolio amounting to S/3,203.3 million and S/2,938.9 million at December 31, 2020 and 2019, respectively.

d) As of December 31, 2020, due to related parties includes borrowings at variable interest rates maintained between BCP and CCR Inc. and Atlantic Security Bank (ASB), amounting to US$63.8 million, equivalent to a S/231.1 million and US$0.7 million, equivalent to S/2.5 million, respectively. Borrowings at variable interest rates received from CCR Inc. and ASB, amounting to US$108.8 million, equivalent to S/360.6 million and US$1.6 million, equivalent to S/5.2 million, respectively, at December 31, 2019. See Note 17(a).

The debts with CCR Inc. and ASB bear interest at Libor 1-month rate and a fixed-weighted rate of 5.53 percent and a fixed rate of 2.42 percent, respectively (interest at a fixed rate of 5.53 percent and a weighted fixed rate of 3.81 percent respectively as of December 31, 2019).

e) As of December 31, 2020 and 2019, the balance of this caption, classified by maturity, is as follows, without considering the interest payable:

	2020 S/000	2019 S/000
Up to 3 months	1,119,613	1,737,794
From 3 months to 1 year	852,354	3,651,261
From 1 year to 3 years	1,352,080	875,412
From 3 to 5 years	541,666	534,842
More than 5 years	1,967,786	1,848,358
Total	5,833,499	8,647,667

f) Some due to banks, correspondents and foreign financial institutions include standard covenants concerning the fulfillment of financial ratios, specific agreements on how to use the funds received, the financial conditions that the Bank and its Subsidiaries must maintain, as well as other administrative matters. In Management's opinion, these specific agreements have been complied with by the Bank and its Subsidiaries as of December 31, 2020 and 2019.

12 BONDS AND NOTES ISSUED

a) As of December 31, 2020 and 2019 this item comprises:

	Annual interest rate %	Interest payment	Maturity (*)	Issued amount (000)	2020 S/000	2019 S/000
Local issuance						
Corporate bonds						
Fourth program						
Tenth issuance (Series A) - BCP	7.25	Semi-annual	December 2021	S/150,000	149,978	149,956
Tenth issuance (Series B and C) - BCP	Between 5.31 and 5.50	Semi-annual	Between October and November 2022	S/400,000	399,838	399,758
Fifth program						
First issuance (Series A,B,C and D) - BCP	Between 5.59 and 6.41	Semi-annual	Between April 2019 and January 2020	S/643,690	-	182,400
Third issuance (Series A,B,C and D) - BCP	Between 3.88 and 4.88	Semi-annual	Between July 2021 and August 2022	S/264,940	264,344	263,971
					814.160	996,085
Subordinated bonds						
First program						
First issuance (Series A) - BCP	6.22	Semi-annual	May 2027	S/15,000	15,000	15,000
Second program						
First issuance (Series A) - Mibanco	8.50	Semi-annual	May 2026	S/100,000	100,000	100,000
First issuance (Series B) - Mibanco	7.22	Semi-annual	June 2027	S/30,000	30,000	30,000
					145,000	145,000
Trading certificates of deposit						
Third program						
Negotiable certificates of deposit - Mibanco	Between 1.2 y 5.8	Annual	Between January 2021 and November 2024	S/1,385	1,385	997
					1,385	997
Total local issuance					960,545	1,142,082

	Annual interest rate	Interest payment	Maturity (*)	Issued amount	2020	2019
	%			(000)	S/000	S/000
International issuance - BCP						
Subordinated Bonds - (i), (ii)	Between 3.13 and 6.13	Semi-annual	Between April 2027 and July 2030	US$1,144,700	4,028,265	2,383,860
Senior Notes - (iii)	4.25	Semi-annual	April 2023	US$716,301	2,555,265	2,323,065
Senior Notes - (iv), (v)	Between 4.65 and 4.85	Semi-annual	Between October 2020 and September 2024	S/2,900,000	2,482,648	2,877,485
Senior Notes - (vi), (vii), (viii), (ix)	Between 2.70 and 5.38	Semi-annual	Between September 2020 and January 2025	US$700,000	2,456,852	3,468,793
Subordinated Bonds - (x)	6.88	Semi-annual	September 2026	US$181,505	651,176	1,549,702
Floating rate Notes - (xi)	Libor 3M + 1.0	Quarterly	March 2021	US$70,000	253,412	231,738
Senior Notes - (xii)	0.42	Semi-annual	August 2021	¥ 5,000,000	175,087	151,888
Senior Notes - (xiii)	Libor 3M + 0.55	Quarterly	March 2022	US$300,300	108,479	-
Subordinate negotiable certificates of deposit - (xiv)	Libor 3M + 2.79	Quarterly	November 2021	US$2,960	10,718	9,809
Total international issuance					12,721,902	12,996,340
Total local and international issuance					13,682,447	14,138,422
Interest payable					129,226	174,504
Total					13,811,673	14,312,926

(*) Maturities apply to balances as of December 31, 2020 and 2019.

The bonds are supported by the Bank's assets and subject to the order of priority established by the SBS.

Most of international issues are listed on the Luxembourg Stock Exchange. In addition, international issues maintain certain covenants which, in Management's opinion, the Bank and its Subsidiaries have complied with at the date of the consolidated statement of financial position.

(i) The Bank as of the year of 2022 will pay a three-month Libor plus 704.3 basis points. Between April 24, 2017 and April 24, 2022, the Bank can redeem the whole or part of the bonds having a penalty of an interest rate equal to the Treasury of United States of América's rate plus 50 basis points. Also, as of April 25, 2022 or at any date after interest payment, the Bank can redeem all or part of the bonds without penalty. Payment of the principal will take place on the due date of the bonds or when the Bank redeems them.

(ii) In July 2020, The Bank repurchased US$294.6 million from the total US$476.1 million outstanding amount of "6.875% Fixed- to-Floating Rate Subordinated Notes due 2026". Also, the Bank repurchased US$224.9 and exchanged US$200.4 million from the total US$720 million outstanding amount of "6.125% Fixed-to-Floating Rate Subordinated Notes due 2027".

    Also, on July 1, 2020, the Bank issued Subordinated Notes under the Medium-Term Bond Program for a total amount of US$850.0 million at a semi-annual coupon rate of 3.125 percent maturing in July 2030 under the name of "3.125% Subordinated Fixed-to-Fixed Rate Notes due 2030 (Callable 2025)". On July 1, 2025, the Bank may redeem all or part of the notes at a redemption price equal to 100% of the aggregate amount of the principal of the notes to be redeemed. From now on, the Bank may redeem all or part of the notes at a redemption price equal to the higher of (1) 100% of the principal amount of the notes and (2) the sum of the remaining cashflows discounted at a rate equivalent to the US Treasury interest rate plus 45 basis points. The payment of principal will take place on the due date or when the Bank redeems the notes.

(iii) The Bank can redeem the total or part of the notes in any time, having as a penalty an interest rate equal to the Treasury of the United States of America's rate plus 50 basis points. The payment of principal will take place on the due date of the notes or when the Bank redeems these notes.

(iv) The Bank may redeem all or part of the notes as of October 15, 2020 (fifteen calendar days before maturity of the notes), without penalty. Payment of principal will take place at the date of maturity or upon redemption.

(v) In September 2019, the Bank announced a repurchase offer and propose an exchange to the holders of senior notes of the S/2,000 million issued in October of 2017, managing to repurchase S/291.2 million and exchanging S/1,308.8 million with new senior notes, at market rates, whose terms and conditions are very similar to the previous issue. At the end of said offer, the Bank keeps a notional value payable amounting to S/400.0 million, which was fully redeemed in October 2020.

    At the same date, the Bank issued senior notes for approximately S/2,500.0 million (this amount includes the S/1,308.8 million of the exchange mentioned in the paragraph before). The Bank can redeem the whole or part of the senior notes between October 17, 2021 and August 16, 2024, at a redemption price equal to or greater than: (i) 100 percent of the aggregate principal amount of the notes, and (ii) the sum of the present value of cash flows discounted at interest rate equivalent to sovereign bonds issued by the government of Perú or other comparable titles plus 25 basis points. As of August 17, 2024, the Bank may redeem all or part of the senior notes at a redemption price equal to 100 percent of the aggregate amount of the principal to be redeemed.

(vi) The Bank can redeem all or part of the bonds at any date, taking as penalty an interest rateequal to the Treasury of the United States of America's plus 40 basis points. Payment ofprincipal will take place at the date of maturity or upon redemption.

(vii) In September 2019, the Bank announced a repurchase offer and propose an exchange to the holders of senior notes of the US$ 800.0 million issued in September of 2010, managing to repurchase US$ 220.3 million and exchanging US$ 205.0 million with new senior notes, at market rates , whose terms and conditions are very similar to the previous issue. At the end of said offer, the Bank keeps a notional value payable amounting to US$374.6 million, which matured in September 2020.

In the same way, in September 2019, the Bank issued senior notes of approximately US$700 million (that amount includes the US$205.0 million of the exchange mentioned in the paragraph before). The Bank can redeem all or part of the notes at any date, between October 11, 2021 and December 10, 2024, at a redemption price equal to or greater than : (i) 100 percent of the aggregate principal amount of the notes to be redeemed; and (ii) the sum of the present value of each remaining scheduled payment discounted at interest rate equal to the Treasury of the United States of America's rate plus 20 basis points. From December 11, 2024 onwards, the Bank can redeem the total or part of the notes to a redemption price equal to 100 percent of the aggregate principal amount of the notes to be redeemed.

The payment of principal will take place on the due date or when the Bank redeems the notes.

(viii) As of December 31, 2020, the Bank holds a cross currency swap (CCS) for a notional amount of US$50.0 million equivalent to S/181.1 million (US$50.0 million equivalent to S/165.7 million as of December 31,2019), see Note 9(b), which was designated as partial cash flow hedge of a corporate bond issued in US dollars at a fixed rate; through said CCS, the bond was economically converted to soles at a fixed rate.

(ix) During the first quarter of 2018, in accordance with the risk exposure strategy of the interest rate, the Group discontinued the fair value hedge of certain bonds, issued in U.S. Dollars at a fixed rate, through the liquidation of the IRS. The accumulated profit of the fair value of these bonds at the time of the liquidation of the derivatives amounted to US$22.0 million (equivalent to S/71.7 million), recorded in the liability, which has been transferred to the consolidated statement of income up to the date of maturity of said bonds. As of December 31, 2020, the liability amounts to US$2.6 million, equivalent to S/9.4 million, (US$8.7 million, equivalent to S/28.8 million, as of December 31, 2019). The amount recorded in the consolidated statement of income during the year 2020 amounts to US$6.1 million, equivalent to S/21.2 million (US$7.8 million, equivalent to S/26.0 million, during the year 2019).

(x) The Bank as of September 16, 2021, will pay a three-month Libor plus 770.8 basis points. Between the dates of September 16, 2016 and September 15, 2021, the Bank can redeem the whole or part of the bonds, having a penalty of an interest rate equal to the Treasury of United States of America´s rate plus 50 basis point. Also, as of September 16, 2021 or at any time after at the payment of interests, the Bank can redeem the whole or part of the bonds without penalties. The payment of the principal amount will take place on due date or in the redemptions of them.

(xi) At December 31, 2020, the cash flows of these Senior Notes maintained covered by an IRS designated as cash flows hedge, for a notional amount of US$70.0 million, equivalent to S/253.5 million (US$70.0 million equivalent to S/232.0 million as of December 31, 2019), see Note 9(b). By means of the IRS, the note was economically converted to a fixed interest rate.

(xii) As of December 31, 2020, the Bank holds a cross currency swap (CCS) for a notional amount of ¥5,000.0 million equivalent to S/175.3 million (¥5,000.0 million equivalent to S/152.5 million, as of December 31, 2019), see Note 9(b), which has been broken down by risk variables in two CCS with the purpose of being designated as cash flow hedge of a bond issued in yen at a fixed rate; through said CCS, this bond was converted to soles at a fixed rate and as cash flow hedge of loans for US$46.0 million equivalent to S/166.6 million (US$46.0 million equivalent to S/152.5 million, as of December 31,2019); through said CCS, these loans have been converted to soles.

(xiii) At December 31, 2020, the Group maintains an IRS for a notional amount of US$30.0 million, equivalent to S/108.6 million, see Note 9 (b), which was designated as cash flows hedge of a corporate bond issued in US dollar at a variable rate. By means of the IRS, this bond was economically converted to a fixed interest rate.

(xiv) In November 2016 the interest rate was converted to a variable rate Libor 3 month plus 279 basis points. From that date and on any subsequent interest payment date, the Bank can redeem all certificates without penalty. Payment of principal will take place on the date of maturity or redemption of the bonds.

b) Bonds and Notes issued classified by maturity are shown below:

	2020 S/000	2019 S/000
Up to 3 months	253,867	182,704
From 3 months to 1 year	448,698	1,637,232
From 1 year to 3 years	3,215,142	1,207,373
From 3 to 5 years	4,939,789	4,801,018
More than 5 years	4,824,951	6,310,095
Total	13,682,447	14,138,422

13 INCOME TAX

a) As of December 31, 2020 and 2019, this item comprises:

	2020 S/000	2019 S/000
Net deferred income tax asset		
Deferred assets		
Allowance for loan losses	1,250,759	582,766
Provision for sundry expenses	61,285	96,650
Interest on refinanced loans not due	24,254	-
Provision for seized assets	22,219	16,202
Unrealized losses on valuation on cash flow hedge derivatives	21,062	14,992
Depreciation of leased premises	14,370	19,005
Additional participation stock-based plan	13,752	-
Provision for sundry risks	3,003	2,076
Unrealized gain in valuation on available-for-sale Investments	999	632
Others	11,077	9,779

	2020 S/000	2019 S/000
Deferred liabilities		
Difference in intangibles	(213,061)	(213,081)
Difference in depreciation rate of buildings	(59,271)	(66,767)
Adjustment for difference in exchange of SUNAT and SBS	(28,424)	(30,846)
Unrealized gain in valuation on available-for-sale investments	(28,377)	(12,387)
Unrealized gain in valuation on hedging derivatives	(13,714)	(9,451)
Unrealized gain in valuation on cash flow hedge derivatives	(3,974)	(2,021)
Fluctuation of the fair value of the covered bonds	(1,707)	(7,971)
Others	(1,443)	(578)
Total	1,072,809	399,000

b) The composition of the amounts presented in the consolidated statement of income for the years ended December 31, 2020, 2019 and 2018, is shown below:

	2020 S/000	2019 S/000	2018 S/000
Current	835,867	1,358,578	1,230,266
Deferred	(680,728)	(23,698)	100,466
	155,139	1,334,880	1,330,732

During 2020, the variation in deferred income tax expense is mainly due to an increase in the generic provision for loans of S/624 million, due to a lower deduction of intangibles due to a lower number of activated projects in 2020, which Expenses increased by S/46 million and due to the effect of the SBS closing exchange rate and SUNAT closing exchange rate by S/16 million.

c) Reconciliation of the effective tax rate to the statutory tax rate for the years 2020, 2019 and 2018 is as follows:

	2020 S/000	2020 %	2019 S/000	2019 %	2018 S/000	2018 %
Income before income tax -	971,925	100.00	4,981,865	100.00	4,703,820	100.00
Theoretical expense	286,718	29.50	1,469,650	29.50	1,387,627	29.50
Effect of exempt income						
Exempted finance income	(340,861)	(35.07)	(268,285)	(5.39)	(235,640)	(5.01)
Effect of non-deductible expenses						
Non-deductible finance costs	56,300	5.79	34,437	0.69	42,334	0.90
Other non-deductible expense	152,982	15.74	99,318	1.99	136,411	2.90
Income tax current and deferred	(155,139)	15.96	1,334,880	26.80	1,330,732	28.29

14 EQUITY

a) Capital stock -

As of December 31, 2020, the Bank’s capital stock comprises 11,067.4 million of fully subscribed and paid common shares (10,217.4 million and 8,770.4 million shares, as of December 31, 2019 and 2018, respectively) with a nominal value of one sol per share.

As of December 31, 2020, and 2019, Grupo Crédito S.A. (Subsidiary of Credicorp Ltd.) held 97.71 percent of the Bank's capital stock. (Credicorp Ltd. held 0.96 percent and Grupo Crédito S.A. held 96.75 percent as of December 31, 2018).

The Mandatory Annual General Shareholders' Meetings held on April 03, 2020, March 29, 2019, and March 28, 2018 approved the capitalization of 2019, 2018 and 2017 retained earnings for amounts of S/850.0 million, S/1,447.0 million and S/837.0 million, respectively.

b) Legal reserve -

In accordance with current legislation, the Bank must reach a legal reserve of not less than 35 percent of its paid-in capital. This reserve must be constituted through an annual appropriation of not less than 10 percent of its net income. As of December 31, 2020, 2019 and 2018, the Bank covered said legal requirement.

The Mandatory Annual General Shareholders' Meeting, held on April 03, 2020, March 29, 2019 and March 28, 2018 approved the increase of the legal reserve by approximately S/298.3 million, S/510.8 million and S/298.8 million, from the 2019, 2018 and 2017 net income, respectively.

As of December 31, 2020, 2019 and 2018, the Subsidiaries' individual legal reserves amounted to approximately S/260.6 million, S/221.0 million and S/175.4 million, respectively.

c) Other reserves -

The other reserves have been funded through the appropriation of retained earnings.

d) Unrealized results -

"Unrealized results" includes the net unrealized gains (losses) from available-for-sale investments and on cash flow hedges. The movement of the unrealized results during 2020, 2019 and 2018, net of deferred income tax was as follows:

	Unrealized gain (loss) of:			
	Available for sale investments S/000	**Derivatives instruments as cash flow hedges S/000**	**Translation results S/000**	**Total S/000**
Balance as of January 1, 2018	99,888	(26,489)	4,729	78,128
Net unrealized loss from available-for-sale-investments	(56,375)	-	-	(56,375)
Transfer of realized loss from available-for-sale investments to the consolidated statement of income, net of realized loss	(38,358)	-	-	(38,358)
Net unrealized loss on cash flow hedge	-	77,235	-	77,235
Transfer of net unrealized loss from cash flow hedge to the consolidated statement of income, net of realized gain	-	(43,643)	-	(43,643)
Foreign currency translation	-	-	(3,905)	(3,905)
Deferred income tax	8,466	(10,930)	-	(2,464)
Balance as of December 31, 2018	13,621	(3,827)	824	10,618

	Unrealized gain (loss) of:			
	Available for sale investments	Derivatives instruments as cash flow hedges	Translation results	Total
	S/000	S/000	S/000	S/000
Net unrealized gain from available-for-sale-investments	452,849	-	-	452,849
Transfer of realized gain from available-for-sale investments to the consolidated statement of income, net of realized loss	(125,498)	-	-	(125,498)
Net unrealized loss on cash flow hedge	-	(2,177)	-	(2,177)
Transfer of net unrealized loss from cash flow hedge to the consolidated statement of income, net of realized gain	-	(35,059)	-	(35,059)
Foreign currency translation	-	-	(244)	(244)
Deferred income tax	(12,670)	10,293	-	(2,377)
Balance as of December 31, 2019	328,302	(30,770)	580	298,112
Net unrealized gain from available-for-sale-investments	594,242	-	-	594,242
Transfer of realized gain from available-for-sale investments to the consolidated statement of income, net of realized loss	(175,882)	-	-	(175,882)
Net unrealized loss on cash flow hedge	-	(74,052)	-	(74,052)
Transfer to results of realized profit in cash flow hedging derivatives	-	58,938	-	58,938
Foreign currency translation	-	-	1,242	1,242
Deferred income tax	(15,622)	4,116	-	(11,506)
Balance as of December 31, 2020	731,040	(41,768)	1,822	691,094

As of December 31, 2020, the Bank and its subsidiaries maintain a deferred liabilities for net income tax for S/10.3 million, comprising the unrealized gains or losses on available-for-sale investments and cash flow hedges (S/1.2 million maintain a deferred liabilities as of December 31, 2019).

e) Components of other comprehensive income -

The consolidated statement of comprehensive income includes other comprehensive income on available-for-sale investments and derivatives used as cash flow hedges and translation results, with the following movement:

	2020	2019	2018
	S/000	S/000	S/000
Available-for-sale investments:			
Net unrealized gains (loss) from available-for-sale investments	594,242	452,849	(56,375)
Net transfer of realized gain from available-for-sale investments to consolidated statement of income	(175,882)	(125,498)	(38,358)
Subtotal	418,360	327,351	(94,733)
Non-controlling interest	177	244	(352)
Deferred income tax	(15,622)	(12,670)	8,466
	402,915	314,925	(86,619)

	2020 S/000	2019 S/000	2018 S/000
Cash flow hedges:			
Net unrealized (loss) gain from cash flow hedges	(74,052)	(2,177)	77,235
Net transfer of realized loss from cash flow hedges to consolidated statements of income	58,938	(35,059)	(43,643)
Subtotal	(15,114)	(37,236)	33,592
Non-controlling interest	-	-	-
Deferred income tax	4,116	10,293	(10,930)
	(10,998)	(26,943)	22,662
Translation results:			
Exchange differences on translation of foreign operations	1,242	(244)	(3,905)
Non-controlling interest	(9)	-	19
Subtotal	1,233	(244)	(3,886)

f) Dividend distribution -

At the Mandatory Annual General Shareholders' Meetings held on April 03, 2020, March 29, 2019, and March 28, 2018, the decision was made to distribute dividends for approximately S/1,303.7 million, S/1,504.1million and S/1,494.6 million resulting from operations for fiscal years 2019, 2018 and 2017, respectively. For fiscal years 2020, 2019 and 2018, cash dividends per share were S/0.1276, S/0.171 and S/0.1884, respectively.

Additionally, as of September 25, 2019, at the Board´ Meeting in use of the powers conferred by the General Shareholders´ Meetings, agreed to distribute extraordinary dividends for approximately S/ 532.3 million, from retained earnings.

In accordance with current Peruvian legislation, there is no restriction for overseas remittance of dividends or the repatriation of foreign investment. With effect from 2017, non-domiciled legal entities in Peru and individuals are subject to an additional income tax of 5 percent on the distributed dividends, which must be retained and paid by the entity that distributes the dividends.

According to Legislative Decree N°1261, published on December 10, 2016, it eliminated the provision of Law N°30296 with regard to the rates established from 2017 onwards.

g) Regulatory capital -

According to Article 199 of Legislative Decree No 1028, the regulatory capital must be equal to or higher than 10 percent of the total risk weighted assets and contingent operations, represented by the sum of: the regulatory capital requirement for market risk multiplied by 10; the regulatory capital requirement for operational risk multiplied by 10 and the weighted assets and contingent credits by credit risk.

As of December 31, 2020 and 2019, in compliance with Legislative Decree No 1028, as amended, the Bank maintains the following amounts in relation to contingent assets and contingent loans weighted for risk and regulatory capital (basic and supplementary), expressed in millions of soles:

	2020	2019
Assets and risk weighted by overall risk	142,043	134,129
Regulatory capital	21,210	19,408
Basic regulatory capital	14,784	14,850
Supplementary regulatory capital	6,426	4,558
Global equity on regulatory capital ratio	14.93%	14.47%

As of December 31, 2020 and 2019, the Bank and its Subsidiaries have fulfilled the requirements of Resolutions N°2115-2009, N°6328-2009 and N°14354-2009, Regulations for the Requirement of Regulatory Capital by Operational Risk, Market Risk and Credit Risk Regulations, respectively, and amendments. Those resolutions establish, mainly, the methodology to be applied by financial entities in order to calculate the weighted assets and credits for each type of risk.

On July 20, 2011, the SBS issued Resolution N°8425-2011 requiring from financial entities an additional regulatory capital, equivalent to the sum of each of the following components: economic cycle, concentration risk, market concentration risk, interest rate and other risks. Likewise, it established a gradual adoption period of five years starting in July 2012. As of December 31, 2019, the level of adoption established by SBS is 100 percent, as a result, the additional required estimated regulatory capital amounts to approximately S/2,155.1 million (S/3,569.3 million equivalent to an adaptation level of 100 percent, which was established by SBS as of December 31, 2019). At December 31, 2020 and 2019, the minimum requirement increased to US$3,922.8 million (equivalent to S/ 14,204.3 million) and to US$4,047.3 million (equivalent to S/13,412.9 million, respectively.

In Management’s opinion, the Bank and its Subsidiaries are carrying out the requirements established by the resolution mentioned above.

Resolution SBS N°11823-2010, “Regulations on consolidated supervision of financial and mixed conglomerates” establishes that the economic group subject to consolidation must have a regulatory equity to cover the risks arising from the operations and activities of the bank, which shall not be lower than the minimum equity required from the group subject to consolidation. As of December 31, 2020 and 2019, the regulatory equity of the financial group subject to consolidation amounted to US$7,459. 8 million, equivalent to S/27,012.0 million and US$7,274.1 million, equivalent to S/24,106.4 million, respectively.

15 TAX SITUATION

a) The Bank and its principals Subsidiaries are subject to the Peruvian tax regime. The income tax rate at December 31, 2020 and 2019 was 29.5 percent.

   Enterprises and individuals not domiciled in Peru and domiciled individuals are subject to additional withholding tax on the dividends received of 5 percent.

b) Law No. 30341, effective January 1, 2016 establishes the income tax exemption on income arising from the disposal of shares and other equity instruments until December 31, 2018 if the transaction is performed via a centralized trading mechanism overseen by the Peruvian securities and company regulator (“Superintendencia del Mercado de Valores”).

Subsequently, Legislative Decree N° 1262, published on December 10, 2016, extended this benefit until December 31, 2019; and incorporated new exoneration assumptions, such as: American Depositary Receipts (ADR) and Global Depositary Receipts (GDR), Exchange Trade Fund (ETF) which have as underlying shares and/or debt securities, Equity instruments, Participation Certificates in Securities-based Mutual Investment Funds, Participation Certificates in Real Estate Income Investment Funds (FIRBI from Spanish acronym) and Participation Certificates in securitization trusts for investment in Real Estate Income (FIBRA), as well as factoring.

Emergency Decree 005-2019 published on October 24, 2019, extended the benefit until December 31, 2022, likewise, the conditions were modified to determine if the securities have a stock market presence.

This exoneration will be applicable as long as the conditions established in the referred Legislative Decree are expressly complied with.

c) For income tax calculation purposes, the transfer prices agreed in transactions between related parties and with entities located in tax havens require the presentation of supporting documentation and information on the valuation methods and criteria applied for the price calculation. Based on the analysis of the operations of the Bank and its Subsidiaries, Management and its internal legal advisors consider that no significant contingencies will arise for the Bank as a consequence of the application of these provisions for fiscal year 2020 and 2019.

With the enactment of Legislative Decree N° 1312, published on December 31, 2016, the formal obligations are modified for the entities subject to transfer price regulations; incorporating 3 new informative declarations; the first, a Local Report, the second, a Master Report and the third a Country by Country Report. The first with effect from 2017 for the operations during 2016, and the last two with effect from 2018 for the operations during 2017.

As established by Supreme Decree N ° 337-2018-EF, the content referring to the benefit test for intra-group services was regulated and specified, defining, among others: the concept of benefit test, information on costs and expenses incurred by the provider of the service, profit margin, support documentation that should contain the aforementioned test, which will be applicable as of January 1, 2019.

d) Legislative Decree No. 1425, effective as of January 1, 2019, accrual for tax purposes was defined, establishing general and specific rules for the recognition of income and expenses for tax purposes.

Likewise, the Fifth Final Complementary Provision of the Decree indicates that the amendments to the Law included in the Legislative Decree do not modify the income or expenditure accrual treatment established in special or sectorial regulations.

The Third Final Complementary Provision of Supreme Decree N°399-2018-EF established that the special or sectorial rules referred to in D.L. N° 1425, are those provisions of tax nature that establish a special treatment to the income or expenses accrual for the purposes of Income Tax.

e) Ministerial Resolution No.387-2020-EF/15, established that the provisions for Reprogrammed Credits due to COVID-19 pandemic, referred to in the Eighth Final and Transitory Provision of the Regulation for the Evaluation and Classification of the Debtor and the Requirement of Provisions, approved by SBS Resolution No.11356-2008, modified by SBS Resolution No.3155-2020; They jointly meet the expenses deductibility requirements for the determination of third category net income, required by the Law and the Income Tax Regulations.

f) Legislative Decree No.1471, effective as of April 30, 2020, exceptionally provided that taxpayers alternatively may choose to modify or suspend their payments on account for April, May, June and / or July of the year 2020 in order to assist with the economic reactivation as a result of the COVID-19 pandemic.

As a procedure, the net income obtained in each month 2020 should be compared with that obtained in the same month on the year 2019. In this sense, the following scenarios and effects of such comparison could occur:

- If they decrease by more than 30 percent, the suspension is applied.
- If they decrease by up to 30 percent, it will be multiplied by a factor of 0.5846.

In this regard, the Bank modified the coefficient of the payment on account on April, May and July 2020 due to the decrease in its net income compared to the previous year, by 8.17 percent ,23.97 percent and 15.19 percent, respectively. Mibanco also modified the coefficient of the payment on account on May, June and July 2020 due to the decrease in its net income compare to the previous year, by 11.57 percent, 8.73 percent and 21.95 percent, respectively

g) Regarding to sales tax, income from credit services received, among others, by banking and financial companies, domiciled or not in the country, as capital gains, derived from bills of exchange trading, promissory notes, invoices and other commercial papers, as well as for commissions and interest derived from operations of these companies.

h) A single transitory complementary provision of Legislative Decree No. 1422 it has been provided that the acts, situations and economic relations carried out within the framework of fiscal planning and implemented on the date of entry into force of the Legislative Decree that continue to have effect, must be evaluated by the board of directors for the purpose of ratification or modification, the deadline is 29 March 2019.

i) The Peruvian Tax Authority is entitled to review and, if applicable, amend the individual annual income tax returns of the Bank and its Subsidiaries established in said countries up to four years after the year of their submission.

The income tax returns which are pending review by the Tax Authorities are the following:

Banco de Crédito del Perú S.A.	2016-2020
Mibanco Banco de la Microempresa S.A.	2016-2020
Solución Empresa Administradora Hipotecaria S.A.	2016-2020

On September 11 and December 11, 2019, the Peruvian Tax Authority notified to Banco de Crédito del Peru the initial Letter of presentation and initial requirement of examinations of income tax returns for the 2014 and 2015 periods, respectively. In relation to the year 2015, the Peruvian Tax Authority carried out an inspection on Income Tax Withholdings to non-domiciled persons, not having made any observation as a result of the process.

On December 18, 2020, Mibanco has been notified by the Tax Authority for the start of the inspection of the Income Tax 2015, currently the inspection procedure is in process

j) Also, the Chilean Statutory Income Tax rate (First Category Tax) for resident legal individuals subject to the Pro-Pyme system is 25 percent for 2020 and 2019 and for those subject to the general system 27 percent. On the other hand, individuals or enterprises not domiciled in Chile will be subject to an additional tax, which is applied with an overall rate of 35 percent. It operates in general on the basis of withdrawals and distributions or income remittances abroad, which are of Chilean source. The taxpayers subject to this tax are entitled to a tax credit equivalent to First Category Tax paid by companies on income withdrawn or distributed , which is 100 percent for taxpayers who are in the regime attributed, for their part, Taxpayers under general scheme, must return 35 percent of this credit. This refund does not apply to countries with which Chile has an agreement in place to avoid double taxation. BCP and Subsidiaries companies are all under the general system.

Due to the tax regulations being subject to interpretation by the Tax Authorities it is not possible to determine at present whether or not the reviews carried out will generate additional liabilities for the Bank and its Subsidiaries. Therefore, any unpaid tax, penalties or interests that might result from said reviews will be expensed in the year in which they are determined. Nevertheless, Management of the Bank and its internal legal advisors consider that any additional tax assessments would not have a significant impact on the 2020 and 2019 consolidated financial statements of the Bank and its Subsidiaries.

16 SHARE-BASED COMPENSATIONS PLANS

As indicated in Note 3(q), in March or April of each year, the Bank and its subsidiaries grant rights over Credicorp Ltd.'s shares to certain executives, which are settled by the delivery of the shares ("share-based payment plan settled by equity instruments"). The rights granted accrue in the three following years from the date of grant. On this date, in order to execute the plan, all the shares required to settle the plan are acquired, which are legally delivered to the executives; however, they are held as restricted until accrual.

During March of 2020, 2019 and 2018, the Compensation Committee of the Credicorp Group agreed to deliver 108,712, 62,939 and 67,345 shares of Credicorp Ltd. to certain executives, respectively. Of which, as of December 31, 2020 are pending delivery for the 2020 plans (108,030), for 2019 (38,159) and for 2018 (19,759). As of December 31, 2019, there were pending delivery for the 2019 plans (58,655), for 2018 (40,579) and for 2017 (28,488).

Also, as of December 31, 2020, the recorded liability amounted to a S/62.7 million, (S/55.0 million as of December 31, 2019), which is included in "Share-based payment of Other liabilities" in the statement of financial position, see Note 9(a).

As of December 31, 2020, the expense amounts to S/64.2 million. As of December 31, 2019, the recorded expense amounted to S/69.3 million and as of December 31, 2018, it amounted to S/62.6 million, which are included in " Salaries and employees benefits" item. See Note 23.

The accrued shares were fully delivered to the beneficiaries. It should be noted that the first to third third of the rights of 2017 plan (93,662), the first and second third of 2018 plan (42,181) and the first third of 2019 plan (19,515) were delivered to their beneficiaries in April 2020.

17 COMMITMENTS AND CONTINGENCIES

a) Commitments -

The Bank's Panamanian Branch holds several agreements with a foreign related party, CCR Inc., whereby it guarantees the future collection of inflows from electronic messages sent to the Bank through the Society for Worldwide Interbank Financial Telecommunications ("SWIFT") through which the correspondent bank uses the web to make payment orders to a beneficiary in Peru which is a non-financial institution.

Year of issue	Balance in millions of American dollars 2020	2019	Maturity
2012 - Serie C, note 11 (d)	63.8	108.8	2022
Total	63.8	108.8	

b) Contingencies -

The Peruvian Superintendencia de Banca, Seguros y AFPs (SBS for its Spanish acronym) conducted a special analysis regarding the political contributions case, which BCP and Mibanco have cooperated with. The SBS has initiated a sanctioning process against the Bank and Mibanco on August 5, 2020, which was answered on August 25 of the same year. The SBS resolution is currently pending. The SBS may impose pecuniary sanctions (fines) to the Bank and Mibanco. By this same act, the Superintendencia del Mercado de Valores (SMV) initiated a similar process, as of December 31, these processes have not yet concluded. In Management's opinion, these processes will not have a material effect on the results of the period in which it ends.

As of December 31, 2020 and 2019, the Bank and its Subsidiaries have several pending various tax processes and legal claims, related to their normal course of business, as well as arbitration processes related to public works tax deduction. According to Management and its internal legal advisors, no additional liabilities will result from these legal claims; therefore, Management has not considered it necessary to record an additional allowance for these contingencies, see Note 9(g).

18 OFF-BALANCE SHEET ACCOUNTS

a) As of December 31, 2020 and 2019, this item is made up as follows:

	2020 S/000	2019 S/000
Contingent operations (indirect loans) (b)		
Guarantees and stand-by letters of credit	17,245,377	17,212,965
Import and export letters of credit	2,231,753	1,673,509
Due from bank acceptances	455,342	535,222
	19,932,472	19,421,696
Responsibilities under credit line agreements (c)	70,391,997	67,820,401
Other contingent operations	11,978	9,157
Total contingent operations	90,336,447	87,251,254

b) In the normal course of their business, the Bank and its Subsidiaries perform contingent operations (indirect loans). These operations expose them to credit risk in addition to the amounts recognized in the consolidated statement of financial position. The Bank's exposure to credit losses from export and import letters of credit and guarantees, is represented by the contractual amounts specified in the related contracts.

The Bank and its Subsidiaries apply the same credit policies in making commitments and conditional obligations as they do for direct loans, including the requirement to obtain collateral to support off-balance sheet financial instruments when it is deemed necessary. Collateral held varies, and may include deposits held in financial institutions, mortgages, securities or other assets.

Because most of the contingent operations (indirect credits) are expected to expire without any performance being required, the total of contingent operations does not necessarily represent future cash requirements.

Export and import letters of credit are mainly issued as credit enhancements for overseas trade transactions. The related credit risk is reduced by the participation of third parties.

Due from bank on acceptances represent collection rights for the Bank and its Subsidiaries that arise at the time of negotiation of the letter of credit; a collection right from the local importer (in the case of imports) or a collection right from the correspondent bank (in the case of exports).

c) Lines of credit conceded include lines of consumer loans, micro-business, small business, medium and corporate business, that are payable upon notification to the client.

d) As of December 31, 2020 and 2019 transactions with derivatives are recorded off-balance sheet for control purposes, at their reference value and are expressed in the committed currency. This item is made up as follows:

	2020 S/000	2019 S/000
Derivative instruments, Note 9(b) -		
Derivatives held for trading:		
Foreign currency contracts on the Sol:		
Foreign currency sales	7,962,197	9,590,997
Foreign currency purchases	7,491,795	8,137,557
Foreign currency forward contracts on currencies, other than Sol	140,386	171,691
Interest rate swap contracts	14,800,915	18,192,820
Currency swap contracts:		
Sol delivery/ Foreign currency reception	4,378,052	3,497,380
Foreign currency delivery/ Sol reception	3,324,008	4,110,452
Foreign currency delivery/ Foreign currency reception	492,743	477,895
Foreign currency options	310,975	246,989
Derivatives held as hedge:		
Interest rate swap contracts	1,714,977	4,784,487
Cross currency swap contracts on the Sol:		
Cross currency swap in other currency than Sol	580,578	152,545
Sol reception / Foreign currency delivery	434,520	961,060
Foreign currency delivery/ Sol reception	81,813	107,425
Cross currency and interest rate swap contracts in respect to foreign currency	-	265,120
	41,712,959	50,696,418

19 FINANCE INCOME AND EXPENSES

These items are made up as follows:

	2020 S/000	2019 S/000	2018 S/000
Finance income			
Interest from loan portfolio	9,436,048	9,933,284	9,377,565
Interest from trading, available-for-sale and held-to-maturity investments, net	761,370	720,490	674,420
Interest from cash and due from banks and inter-bank funds	67,644	301,581	146,518
Others	6,371	11,769	11,153
	10,271,433	10,967,124	10,209,656

	2020 S/000	2019 S/000	2018 S/000
Finance expenses			
Interest on bonds and subordinated notes issued	(841,175)	(883,031)	(888,161)
Interest and commissions on deposits and obligations	(833,479)	(1,194,547)	(976,650)
Interest on due to banks and correspondents and other entities	(557,154)	(590,518)	(616,317)
Deposit Insurance fund fee	(183,132)	(151,626)	(140,184)
Others	(7,407)	(8,282)	(10,198)
	(2,422,347)	(2,828,004)	(2,631,510)
Gross financial margin	7,849,086	8,139,120	7,578,146

20 COMMISSIONS FOR BANKING SERVICES, NET

This item is made up as follows:

	2020 S/000	2019 S/000	2018 S/000
Gain to related banking service commissions			
Transfer and collection services	763,883	876,591	859,744
Commissions from parties affiliated to the credit/debit card network	375,053	500,747	437,987
Maintenance of accounts	334,357	315,779	309,093
Credit and debit card service	176,765	249,554	224,090
Commissions from contingent operations	243,454	241,460	241,224
Commissions on special services - Credipago	222,905	224,680	214,150
Fees from consulting and technical studies	90,855	123,246	104,725
Insurance commissions	82,535	127,402	92,739
Withholding and collection services	34,953	52,975	54,260
Commission from salary in advance and payment of services	34,766	49,998	50,456
Penalty commissions	53,423	84,323	36,571
Commission on transfers overseas and other	48,373	52,029	48,724
Check issuance	3,477	6,863	7,080
Others	32,986	33,510	65,410
Sub total	2,497,785	2,939,157	2,746,253
Expenses related to banking service commissions			
Credit and debit card services	(182,685)	(233,611)	(176,049)
Credit/debit card network	(27,698)	(44,015)	(38,651)
Expenses related to check issuance	(2,321)	(4,405)	(4,996)
Others	(36,171)	(47,442)	(39,713)
Sub total	(248,875)	(329,473)	(259,409)
Balance, net	2,248,910	2,609,684	2,486,844

21 NET GAIN ON SECURITIES

This item is made up as follows:

	2020 S/000	2019 S/000	2018 S/000
Net gain (loss) from purchase and sale of investments available for sale (a)	156,977	96,525	40,027
Net gain (loss) from purchase and sale of securities at fair value through profit or loss (trading)	(1,755)	30,358	(29,153)
Share of profits obtained by associates	(4,930)	13,290	11,472
Net profit on the sale of Equifax Peru S.A. and Visanet	-	-	6,331
Others, net (b)	(17,382)	(1,857)	(98)
Total	132,910	138,316	28,579

(a) As of December 31, 2020, it includes net gains on Sovereign bonds sales amounting to S/168.5 million, among others amounting to S/11.5 million of net losses.

(b) The variation is mainly due to the realized results and valuation of short sales. of December 31, 2020, net gain on purchase and sale of investments available for sale is mainly composed of Sovereign bonds amounting to S/168.5 million, among others amounting to S/11.5 million.

22 OTHER NON-FINANCE INCOME AND OTHER OPERATING EXPENSES

These items are made up as follows:

	2020 S/000	2019 S/000	2018 S/000
Other non-finance income			
Portfolio sale (a)	35,818	106,835	60,663
Technical support - Outsourcing	34,656	32,963	34,036
Provision reversal due to closing of the previous Travel Miles loyalty program	10,880	-	-
Sale of property (b)	12,576	19,772	42,918
Recovery of expenses of judicial collection of personal credits and credit cards	5,209	13,500	12,000
Use of BCP Bolivia brand	7,739	7,309	6,920
Gold sale	-	6,494	-
Net gain from sales of seized assets	2,957	5,802	4,569
Recovery of previous years' interest	3,279	5,954	1,854
Others (c)	66,898	53,153	103,491
Total	180,012	251,782	266,451

	2020 S/000	2019 S/000	2018 S/000
Other operating expense			
Donations (d)	(119,708)	(9,173)	-
Fines and penalties	(1,890)	(1,768)	(160)
Losses for operating risk	(70,680)	(42,069)	(46,469)
Covid-Health Emergency (e)	(86,101)	-	-
Cancellation of intangibles due to withdrawals and rejected projects	(40,342)	(22,492)	-
Losses for examination, lawsuit and customers' claims	(17,082)	(12,199)	(29,431)
Administrative and tax penalties	(3,958)	(1,499)	(222)
Derecognition assets out of use cost due to disposals	(7,498)	(12,874)	(13,129)
Expenses related to assets under finance lease	(2,961)	(4,063)	(4,821)
Provision for uncollectible receivables	(17,028)	(939)	(1,464)
Maintenance of seized assets	(1,442)	(1,211)	(1,327)
Others (f)	(50,555)	(34,271)	(73,616)
Total	(419,245)	(142,558)	(170,479)

(a) The gain from the portfolio sale is explained by the sale of the judicial portfolio in the form of assignment of rights to Deutsche Bank AG / SPVI S.A. for S/32.9 million and the sales of the written-off portfolio to Conecta CNS S.A. for S/1.9 million and JS Ornamental Peruvian Fish EIRL for S/0.6 million.

(b) Corresponds to the gain obtained from the sale of properties, mainly those located in: Chimbote for S/1.4 million, San Felipe for S/0.7 million, among others, Note 7 (a).

(c) The balance is mainly made up of cash surpluses, reimbursement by credit insurance that Vida Pacifico has made, settlement by sale of Credicorp shares, use of BCP Bolivia brand, penalty for breach of contract, recovery fees in civil proceedings and legal of the products Personal Credits and Credit Cards, collection of commission to customers leasing for relocation, vehicle taxes, property taxes, fines and infractions related to the leasing product, improvements in the process of negotiation of shared services with Group companies, among others.

(d) It corresponds mainly to the donation amounting to S/100.0 million and S/10.0 million made by BCP and Mibanco, respectively, due to the Covid-19 health emergency.

(e) Corresponds to the expenses incurred by the health emergency such as: safety equipment, mobility vouchers, medical expenses, food, rapid tests, temperature measurement, among others.

(f) The balance is mainly comprised of provisions for various risks, fiscal penalties, expenses and fees related to civil, criminal and administrative proceedings, losses for damages suffered in the Bank's tangible assets, provision for country risk, legal expenses, expenses not deductibles, penalties for Visa operations, among others.

23 SALARIES AND EMPLOYEES BENEFITS

This item is made up as follows:

	2020	2019	2018
	S/000	S/000	S/000
Salaries	1,363,918	1,375,234	1,322,151
Legal gratifications	234,403	229,398	217,574
Vacations, medical assistance and others	143,796	227,402	218,020
Legal workers’ profit sharing	153,856	238,539	216,102
Additional participation	92,770	156,546	154,439
Social security	159,794	160,062	152,610
Severance indemnities	128,356	126,263	121,116
Shares (second plan), see Note 16	64,248	69,333	62,606
Total	2,341,141	2,582,777	2,464,618
Number of employees	27,671	28,668	27,060

24 GENERAL AND ADMINISTRATIVE EXPENSES

This item is made up as follows:

	2020	2019	2018
	S/000	S/000	S/000
Systems (a)	467,944	352,623	328,269
Publicity	308,848	339,251	299,312
Rental	188,805	190,896	181,791
Consulting and professional fees	137,877	194,950	183,635
Transport and communications	119,743	136,866	145,129
Repair and maintenance	112,318	103,592	98,986
BCP agent commission	87,899	86,370	68,886
Third party services	64,626	81,916	81,416
Insurance	62,680	55,101	45,460
Sundry supplies	62,248	69,039	49,637
Energy and water utilities	35,103	36,887	36,418
Security	33,753	37,752	41,493
Others (b)	122,707	134,316	122,016
Total	1,804,551	1,819,559	1,682,448

(a) The variation is mainly due to the increase in outsourcing service for infrastructure management, information technology, support and optimization project from IBM del Perú SAC amounting to S/30.4 million, applications maintenance service and variable support from Tata Consultancy Services and Everis Perú SAC amounting to S/14.6 million. The variation is also due to the increase in expenses from Microsoft licenses amounting to S/24.4 million and computer support amounting to S/27.3 million.

(b) This category mainly comprises cleaning service, representation expenses, subscription expenses, expenses for RENIEC among others

25 EARNINGS PER SHARE

As of December 31, 2020, 2019 and 2018, the weighted average number of shares outstanding was determined as follows:

	Outstanding shares S/000	Shares for calculation S/000	Effective days year end	Weighted outstanding average of shares S/000
2018				
Balance at January 1, 2018	7,933,342	7,933,342	365	7,933,342
Capitalization of profits in 2018	837,023	837,023	365	837,023
Capitalization of profits in 2019	-	1,447,022	365	1,447,022
Capitalization of profits in 2020	-	850,000	365	850,000
Balance as of December 31, 2018	8,770,365	11,067,387		11,067,387
2019				
Balance at January 1, 2019	8,770,365	8,770,365	365	8,770,365
Capitalization of profits in 2019	1,447,022	1,447,022	365	1,447,022
Capitalization of profits in 2020	-	850,000	365	850,000
Balance as of December 31, 2019	10,217,387	11,067,387		11,067,387
2020				
Balance at January 1, 2020	10,217,387	10,217,387	365	10,217,387
Capitalization of profits in 2020	850,000	850,000	365	850,000
Balance as of December 31, 2020	11,067,387	11,067,387		11,067,387

As of December 31, 2020, 2019 and 2018; earnings per share determined on the basis of the weighted average of outstanding shares was S/0.0738, S/0.3295 and S/0.3048.

	2020 S/000	2019 S/000	2018 S/000
Net earnings	816,786	3,646,985	3,373,088
Weighted average number of common shares	11,067,387	11,067,387	11,067,387
Basic and diluted earnings per share (in soles)	0.0738	0.3295	0.3048

26 FINANCIAL INFORMATION BY GEOGRAPHICAL AREA

As of December 31, 2020 and 2019, segment information by geographical area is as follows (amounts expressed in millions of soles):

	2020					2019				
	Total income (*)	Gross financial margin	Depreciation and amortization	Property, furniture and equipment, net	Total assets	Total income (*)	Gross financial margin	Depreciation and amortization	Property, furniture and equipment, net	Total assets
Peru	13,490	7,797	400	1,212	198,041	15,113	8,058	381	1,287	154,337
Panama	276	21	-	-	3,376	522	48	-	-	6,916
United States of America	47	31	-	-	1,722	62	33	-	-	1,136
Eliminations	(299)	-	-	-	(7,946)	(970)	-	-	-	(11,729)
Total	13,514	7,849	400	1,212	195,193	14,727	8,139	381	1,287	150,660

(*) Includes the total finance and non-finance income.

27 TRANSACTIONS WITH RELATED PARTIES

a) During the years 2020 and 2019, the Bank and its Subsidiaries have acquired bonds, granted loans, supplied and received banking services, correspondent relationships and other operations with Credicorp Subsidiaries, the balances of which are shown below:

	2020 S/000	2019 S/000
Assets -		
Cash	31,505	5,363
Loans, net	403,113	217,093
Available-for-sale investments (shares of Credicorp Ltd.) Note 5(a)	97,617	86,074
Other assets	136,377	132,231
Liabilities -		
Deposits and obligations	1,657,910	1,567,775
Due to banks, correspondents and other entities	234,490	367,266
Bonds and subordinated notes issued	123,649	50,016
Other liabilities	20,370	12,216
Off-balance sheet items -		
Contingent operations	369,078	252,633
Income -		
Finance income	23,386	12,764
Finance expenses	36,533	65,080
Other income	444,028	464,590
Operating expenses	100,564	58,098

Balances with related entities, not of the Grupo Credicorp, are as follows:

	2020 S/000	2019 S/000
Direct loans	1,909,516	1,607,944
Indirect loans	431,089	373,865
Derivatives, market value	4,408	4,984
Deposits (*)	1,582,412	470,142

(*) Corresponds to deposits of legal and natural persons. The increase corresponds mainly to higher deposits from related companies Inversiones Piuranas, Inversiones Centenarioand Cementos Pacasmayo, among other variations.

The Bank and its Subsidiaries have contracted insurance coverage with Pacífico Compañía de Seguros y Reaseguros S.A., a subsidiary of Credicorp Ltd.; the related premiums amount to S/60.0 million in 2020 (S/26.8 million in 2019); the accrued part is recorded in the caption “General and administrative expenses” of the consolidated statement of income.

The Bank also receives fees for selling life insurance coverage through its network of offices to customers who have saving accounts; fees which amounted to approximately S/351.4 million and S/323.7 million, in 2020 and 2019, respectively.

According to Peruvian legislation, loans to related parties cannot be granted on terms more favorable than those that would have been offered to the general public. Management of the Bank and its Subsidiaries considers that they have complied with all legal requirements for transactions with related parties. Loans granted to related parties are secured by guarantees and collaterals.

All transactions with related parties are made in accordance with normal market conditions available to other customers. At December 31, 2020 and 2019, direct loans to related companies are secured by collateral, had maturities between January 2021 an March 2036, at an annual soles average interest rate of 5.33 percent and at an annual foreign currency average interest rate of 4.45 percent (as of December 31, 2019, maturities where between January 2020 and December 2028, and the annual soles average interest rate was 6.21 percent and the annual foreign currency average interest rate was 5.70 percent). As of December 31, 2020 and 2019, the Bank and its Subsidiaries maintain an allowance for doubtful loans granted to related parties for S/9.1 million and S/12.6 million, respectively.

b) Loans to employees and their families -

The Bank and its Subsidiaries grant loans to their employees and families for terms that fluctuate according to the different types of loans that the Bank and its Subsidiaries maintain towards third parties. Loans granted to employees and their families are mainly mortgage loans and are included under the caption "Loans, net" of the consolidated statement of financial position. Generally, interest rates applied are lower than market interest rates; however, other terms are similar to those prevailing in the market. As of December 31, 2020 and 2019, the balance of loans and other facilities granted to employees, family members, directors and key executives of the Bank and its Subsidiaries amounted to S/1,062.1 million and S/1,003.2 million, respectively.

c) The compensation of the key executives of the Bank and its Subsidiaries for the years 2020 and 2019, considering all payments made, was as follows:

	2020 **S/000**	**2019** **S/000**
Salaries	15,070	14,788
Directors' compensation	7,749	7,628
Total	22,819	22,416

Additionally, during 2020 and 2019, the Bank recorded approximately S/11.8 million and S/10.7 million, respectively an expense related to stock awards. The related income tax is assumed by the Bank.

28 FINANCIAL INSTRUMENTS CLASSIFICATION

The following are the carrying amounts of the financial assets and liabilities captions in the consolidated statement of financial position, by categories as defined under IAS 39:

	As of December 31, 2020						
	Financial assets and liabilities at fair value						
	Held for trading or hedging	At inception	Loans and receivables	Investments available-for-sale	Investments held-to maturity	Liabilities at amortized cost	Total
	S/000	S/000	S/000	S/000	S/000	S/000	S/000
Assets							
Cash and due from banks	-	-	34,365,007	-	-	-	34,365,007
Interbank funds	-	-	28,968	-	-	-	28,968
Investments at fair value through profit or loss	2,168,500	-	-	-	-	-	2,168,500
Investments at fair value available for sale	-	-	-	29,591,086	-	-	29,591,086
Held-to-maturity investments	-	-	-	-	4,934,031	-	4,934,031
Loans, net	-	-	117,381,370	-	-	-	117,381,370
Other assets, net, Note 9(a)	897,792	-	863,128	-	-	-	1,760,920
	3,066,292	-	152,638,473	29,591,086	4,934,031	-	190,229,882
Liabilities							
Deposits and obligations	-	-	-	-	-	126,971,955	126,971,955
Interbank funds	-	-	-	-	-	-	-
Payables from repurchase agreements	-	-	-	-	-	26,267,587	26,267,587
Due to banks, correspondents and other entities	-	-	-	-	-	5,843,676	5,843,676
Bonds and Subordinated Notes issued	-	-	-	-	-	13,811,673	13,811,673
Other liabilities, net, Note 9(a)	881,504	-	-	-	-	1,787,913	2,669,417
	881,504	-	-	-	-	174,682,804	175,564,308

	As of December 31, 2019						
	Financial assets and liabilities at fair value						
	Held for trading or hedging	At inception	Loans and receivables	Investments available-for-sale	Investments held-to-maturity	Liabilities at amortized cost	Total
	S/000	S/000	S/000	S/000	S/000	S/000	S/000
Assets							
Cash and due from banks	-	-	26,709,946	-	-	-	26,709,946
Interbank funds	-	-	101,979	-	-	-	101,979
Investments at fair value through profit or loss	-	-	-	-	-	-	-
Investments at fair value available for sale	-	-	-	14,231,178		-	14,231,178
Held-to-maturity investments	-	-	-	-	3,456,144	-	3,456,144
Loans, net	-	-	100,336,130	-	-	-	100,336,130
Other assets, net, Note 9(a)	830,335	-	943,159	-	-	-	1,773,494
	830,335	-	128,091,214	14,231,178	3,456,144	-	146,608,871
Liabilities							
Deposits and obligations	-	-	-	-	-	99,433,161	99,433,161
Interbank funds	-	-	-	-	-	204,986	204,986
Payables from repurchase agreements	-	-	-	-	-	5,803,336	5,803,336
Due to banks, correspondents and other entities	-	-	-	-	-	8,660,298	8,660,298
Bonds and Subordinated Notes issued	-	-	-	-	-	14,312,926	14,312,926
Other liabilities, net, Note 9(a)	788,393	-	-	-	-	1,636,232	2,424,625
	788,393	-	-	-	-	130,050,939	130,839,332

29 FINANCIAL RISK MANAGEMENT

The activities of the Bank and its Subsidiaries involve principally the use of financial instruments, including derivatives. They also accept deposits from customers at both fixed and floating rates, for different periods, and invest these funds in high-quality assets. Moreover, they place these deposits at fixed and variable rate with companies and individuals, considering the finance costs and expected yield.

The Bank and its Subsidiaries trade in financial instruments when they assume positions in traded and over-the-counter instruments, including derivatives, to take advantage of short-term market movements, through trading strategies which include the use of equities, bonds, currencies and interest rates.

In this sense, risk is inherent to the Bank and its Subsidiaries activities, which is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the continuing profitability of the Bank and its Subsidiaries and each individual is accountable for the risk exposures relating to his responsibilities. The Bank and Subsidiaries are mainly exposed to operating risk, credit risk, liquidity risk and market risk.

a) Risk management structure -

The Board of Directors of the Bank and its Subsidiaries is responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks, as further explained bellow:

(i) Board of Directors -

The Board of Directors is responsible for the overall risk management approach and for the approval of the levels of risk appetite and tolerance that the Bank and Subsidiaries are prepared to assume. Furthermore, it approves the objectives, guidelines and policies for Overall Risk Management. On the other hand, the Board establishes an organizational culture which emphasizes the importance of risk management, supervises the internal control system, and ensures the appropriate performance of the regulatory compliance function.

(ii) Risk Committee -

The Risk Committee represents the Board in decision making focused on risk management, is responsible for the strategy used for mitigating risks, as well as establishing the overall principles, policies and limits for the different types of risks; it is also responsible for monitoring fundamental risk issues, and managing and monitoring the relevant risk decisions.

It is formed by five Board members, the General Manager of BCP, the Central Manager of Planning and Finance, the Central Risk Manager and the Manager of the Risk Management Division.

In addition, in order to effectively manage all the risks, the Risk Committee designates some risk functions to the following tactical committees which report on a monthly basis all relevant changes or issues of the managed risks:

Credit Risk Committee (Retail and Non-Retail) -

The Credit Risk Committees (Retail and Non-Retail) are responsible for reviewing the tolerance level of the appetite for credit risk, the exposure limits and the actions for the implementation of corrective measures, in case there are deviations. In addition, it proposes the norms and policies of credit risk management within the framework of governance and the organization for the comprehensive management of credit risk. Furthermore, it proposes the approval of any change in the functions described above and important findings to the Risk Committee.

Treasury and ALM Risk Committee - (Asset Liability Management) -

The Treasury and ALM Risk Committee proposes the guidelines and policies for Treasury and ALM Risk Management within the governance and organization framework for the comprehensive management of market and liquidity risks. It is responsible for analyzing and proposing corrective actions in case there are deviations in the risk tolerance levels assumed in the risk appetite for Treasury. Furthermore, it is responsible for proposing the approval of any changes in the functions described above and for reporting any finding to the Risk Committee.

BCP Model Risk Committee -

The BCP Model Risk Committee monitors the Bank's data strategy and analytics and the health status of its portfolio of models. It is in charge of analyzing and proposing corrective actions in case there are deviations with respect to the degrees of exposure assumed in the model risk appetite. Likewise, it proposes the creation and / or modification of the government for the management of the model risk, supervising its compliance. Likewise, it is responsible for informing the Risk Committee about exposures related to model risk that involve variations in BCP's risk profile.

Non-Financial Risk Committee -

The Non-Financial Risks Committee is responsible for reviewing the tolerance level of the appetite for non-financial risks and the exposure limits (except for technological and cybersecurity risks, which are dealt with in the Technological Risk Committee). This committee also proposes standards, non-financial risk management policies and mechanisms for the implementation of corrective actions within the governance framework. In addition, it is responsible for proposing the approval of any modification of the functions described above and for reporting any findings to the Risk Committee.

Technological Risk Committee -

The Technology Risk Committee is responsible for reviewing the tolerance level of IT risk appetite (including cybersecurity), as well as the exposure limits. This committee also proposes standards, IT risk management policies (including cybersecurity), and mechanisms for the implementation of corrective actions within the governance framework. In addition, it is responsible for proposing the approval of any modification of the functions described above and for reporting any findings to the Risk Committee.

(iii) Central Risk Management -

The Central Risk Management is responsible for implementing policies, procedures, methodologies and of the actions to be taken to identify, measure, monitor, mitigate, report and control the different types of risks to which the Bank and its Subsidiaries are exposed. Also, it participates in the design and definition of the strategic plans of the business units to ensure that they are aligned within the risk parameters approved by the Board of Directors of the Bank and its Subsidiaries. Likewise, it disseminates the importance of adequate risk management, specifying in each of the units, the role that corresponds to them in the timely identification and definition of the corresponding actions.

Central Risk Management is comprised of the following units:

Risk Management Division -

The Risk Management Division is responsible for ensuring fulfillment of the risk management guidelines and policies established by the Senior Management Team. Supervise the risk management process and coordinate with the units of the Bank and its Subsidiaries involved in said process. And it also has the task of informing Senior Management regarding the global exposure, as well as the specific exposure of each subsidiary.

Credit Division -

The Credit Division proposes the credit policies and the credit risk evaluation and management criteria that the Bank assumes with customers in the wholesale segment. Evaluates and authorizes credit proposals up to their autonomy and proposes their approval to the higher authorities for those that exceed it. These guidelines are established on the basis of the policies established by the Board of Directors, respecting the laws and regulations in force. In addition, it assesses the evolution of the risk of wholesale clients and identifies problematic situations, taking actions to mitigate or resolve them.

Retail Banking Risk Division -

The Retail Banking Risk Division is responsible for managing the risk profile of the retail portfolio and developing credit policies that are in accordance with the guidelines and risk levels established by the Board of Directors. Likewise, it participates in the definition of products and campaigns aligned with said policies, as well as in the design, optimization and integration of credit assessment tools and income estimation for credit management.

Payment Solutions Division -

The Payment Solutions Division manages the BCP Retail Banking portfolio in arrears, keeping the provisions within budgeted levels and offering clients in arrears financial alternatives, in such a way as to avoid further deterioration of credit. In addition, it provides feedback to the units linked to the credit process with information on recoveries to improve their policies and procedures.

Non-Financial Risk Division -

The Non-Financial Risk Division is responsible for defining a non-financial risk strategy aligned with the objectives and risk appetite established by the Board of Directors. This strategy seeks to strengthen the management process, generate synergies, optimize resources and achieve better results among the units responsible for managing non-financial risks in the Bank. In addition, in order to achieve the objectives defined in the non-financial risk strategy, the Division is responsible for promoting a risk culture, developing talent, defining indicators, generating and monitoring projects and strategic initiatives.

The Non-Financial Risks Division is made up of the following areas: Cybersecurity Area Management, Corporate Security Area Management, Operational Risk Management Area Management, and the Digital Risk Project Management Office.

Treasury Risk Management -

Treasury Risk Management is responsible for planning, coordinating and supervising the implementation of the methodologies and limits used by the Treasury Division and approved by the Risk Management Committee. It is also responsible for evaluating the effectiveness of the hedging derivatives and the valuation of investments. As well as evaluating the profitability-risk relationship of the investment strategies taken by the Treasury Division Management.

(iv) Audit and Compliance Divisions -

The Audit Division is responsible for permanently evaluating the effectiveness and efficiency of the risk management of the Bank and its Subsidiaries, verifying compliance of the regulation, policies, objectives and guidelines approved by the Board of Directors. On the other hand, it evaluates the adequacy and degree of integration of the data bases and information systems of the Bank and Subsidiaries. Finally, it ensures independence between the functions of the risk and business units.

The Compliance Division is responsible for ensuring the corporate compliance of the regulations and the Code of Ethics.

b) Risk monitoring and reporting systems -

The Bank and its Subsidiaries have independent information bases which are then integrated through corporate reports. These reports enable it to monitor, at an aggregate and detailed level, the different types of risks to which each subsidiary is exposed. The system provides it the ability to comply with the needs for risk appetite review requested by the above-mentioned committees and areas; as well as comply with the regulatory requirements.

c) Risk mitigation -

Depending on the type of risk, the Bank and its Subsidiaries use mitigating methods to reduce their exposure, such as guarantees, derivatives, controls and insurance, among others. In addition, they have policies linked to risk appetite and established procedures for each type of risk. Finally, the Bank and its Subsidiaries actively use guarantees in order to reduce their credit risks.

d) Risk appetite -

The Board of Directors approves on an annual basis the establishment of a Risk Appetite framework for the purpose of defining the maximum level of risk that the Bank and its Subsidiaries are prepared to assume in the achievement of their strategic and financial objectives. This Risk Appetite framework is based on "core" and "specific" metric objectives:

Core metrics preserve the organization’s strategic pillars, defined as solvency, liquidity, benefit and growth, stability in growth and balance sheet structure.

Specific metrics seek to monitor qualitatively and quantitatively the different risks to which the Bank and its Subsidiaries are exposed, as well as defining a tolerance threshold in each one of them, so as to preserve the risk profile established by the Board of Directors, and anticipate points of risk on a more detailed level.

For its part, risk appetite is instrumented through the following elements:

- Declaration of risk appetite: This makes explicit the general principles and qualitative declarations which complement the risk strategy of the Bank and its Subsidiaries.

- Metrics tables: Metrics are used to define the levels of risk exposure in the various strategic pillars.

- Limits: They permit risk taking to be controlled within the tolerance established by the Board of Directors. They also provide accountability to the risk taking process and define guidelines regarding the target risk profile.

- Government Scheme: it seeks to guarantee compliance of the framework through the different roles and responsibilities assigned to the units involved.

e) Risk concentration -

Concentrations arise when a reduced and representative number of counterparties of the Bank and Subsidiaries are engaged in similar business activities, or activities in the same geographic region, or have similar economic, political or other conditions.

In order to avoid excessive concentrations of risk, the policies and procedures include specific limits to guarantee a diversified portfolio.

29.1 Credit risk -

a) The Bank and its Subsidiaries take on exposure to credit risk, which is the probability of suffering losses caused by breach of payment on the part of debtors or counterparties of on and off balance sheet exposure.

Credit risk is the most important risk for the activities of the Bank and Subsidiaries; therefore, Management carefully manages its exposure to this risk. Credit exposures arise principally from lending activities that lead to direct loans; in addition, they originate from investment activities. There is also credit risk in off-balance sheet financial instruments, such as contingent credits (indirect loans), which could expose the Bank and its Subsidiaries to similar risks to those of direct loans. Likewise, credit risk also arising from derivative financial instruments contained in those instruments with positive fair values. Finally, all exposure to credit risk (direct or indirect) is mitigated by control process and policies.

As part of the management of this type of risk, the Bank and Subsidiaries assign impairment provisions for their portfolio, at the date of the statement of financial position.

The Bank and its Subsidiaries define levels of credit risk based on risk exposure limits, which are frequently monitored. Said risks are established in relation to the amounts of exposure to one debtor or group of debtors, geographical segments and the industry. Furthermore, risk limits by product, industry sector and geographic segment are approved by the Risk Management Committee.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. Some other specific control and mitigation measures are outlined below:

(i) Collateral -

The Bank and its Subsidiaries use a range of policies and practices to mitigate credit risk. The most traditional of these is taking of collateral for loans granted, which constitutes a common practice. The Bank and its Subsidiaries implement policies on the acceptability of specific classes of collateral or credit risk mitigation. The Bank and its Subsidiaries implement policies for the acceptance of specific classes of guarantees or mitigation of credit risk. The main types of collateral obtained for credits are as follows:

- For repurchase agreements and securities lending, collaterals are fixed income instruments and cash.
- Mortgages on homes, liens on business assets such as plant, inventories and accounts receivable; as well as liens on financial instruments such as debt securities and stocks.

Likewise, medium and long-term loans and financing granted to corporate entities (mostly) are guaranteed. Credits to small companies and microenterprises are not generally guaranteed. In order to minimize credit losses, the Bank and its Subsidiaries request additional guarantees from the counterparty as soon as impairment indicators arise.

Collateral held as security for financial assets other than loans is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset backed securities and similar instruments, which are secured by portfolios of financial instruments.

Management monitors the fair value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the fair value of collateral obtained during its review of the adequacy of the allowance for impairment losses. As part of the policies of the Bank and its Subsidiaries, repossessed properties are disposed of in age order. The proceeds are used to reduce or repay the outstanding amount due. In general, the Bank and its Subsidiaries do not use repossessed properties for operating purposes.

(ii) Derivatives -

The amount subject to credit risk is limited to the current and potential fair value of instruments that are favorable to the Bank and its Subsidiaries (where fair value is positive). In the case of derivatives, this is only a small fraction of the contract, or notional amounts used to express the volume of instruments outstanding. The credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for this type of credit risk exposures.

(iii) Credit-related commitments -

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and letters of credit have the same credit risk as direct loans. Documentary and commercial letters of credit - which are written undertakings by the Bank and its Subsidiaries on behalf of a customer authorizing a third party to draw drafts on the Bank and its Subsidiaries up to a stipulated amount under specific terms and conditions - are collateralized by the underlying shipments of goods to which they relate and therefore have less risk than a direct loan. The Bank and its Subsidiaries have no commitment to extend credit.

b) The maximum exposure to credit risk as of December 31, 2020 and 2019, before the effect of mitigation through any collateral, is the book value of each class of financial assets indicated in Note 28 and the contingent operations detailed in Note 18(a).

Management is confident of its ability to continue to control and sustain minimal exposure of credit risk for the Bank and its Subsidiaries resulting from both its loan portfolio and investments based on the following:

- 94.1 percent of the gross loan portfolio is categorized in the top two grades of the internal rating system as of December 31, 2020 (95.4 percent as of December 31, 2019); Note 6(c);

- 92.9 percent of the loan portfolio is considered neither past due nor impaired as of December 31, 2020 (93.5 percent as of December 31, 2019);

- 95.6 percent of the investments have at least investment grade (BBB- or higher) or are debt securities issued by BCRP (unrated) as of December 31, 2020 (96.9 percent as of December 31, 2019);

- 13.4 percent and 75.7 percent of the cash and due from banks represent amounts deposited in the Bank and in the BCRP, respectively, as of December 31, 2020 (16.1 percent and 68.8 percent, respectively, as of December 31, 2019).

c) Credit risk management for loans -

The Bank and its Subsidiaries classify their loan portfolio into one of five risk categories, according to subsection 2 Chapter II of SBS Resolution N°11356-2008, which considers the degree of risk of non-payment of each borrower. The categories used by the Bank and its Subsidiaries are: (i) normal - (0), (ii) potential problems - (1), (iii) substandard - (2), (iv) doubtful - (3) and (v) loss - (4), which have the following characteristics:

(i) Normal (0): Non-retail borrowers are classified into this category, when their financial situation is liquid, their debt-to-equity ratio is low and their ability to generate profit and cash flows allows them to fulfill payment of their obligations in a timely manner. Likewise, retail and mortgage borrowers are included in this category when payments are current or up to 8 days past due. On the other hand, mortgage debtors are classified in this category when they are current or up to 30 days past due.

(ii) Potential problems (1): Non-retail borrowers are classified into this category, when their financial situation is solid, their debt-to-equity ratio is moderate and their cash flows are enough to pay off capital and interest, however, such cash flows could weaken in the following twelve months. On the other hand, retail and mortgage borrowers are included in this category when payments are between 9 and 30 days past due and 31 and 60 days past due, respectively.

(iii) Substandard (2): Non-retail borrowers are classified in this category, when their financial situation is weak and their cash flows do not allow them to make full payment of capital and interest and payments are between 60 and 120 days past due. On the other hand, retail and mortgage borrowers are included in this category when payments are between 31 and 60 days past due and 61 and 120 days past due, respectively.

(iv) Doubtful (3): Non-retail borrowers are classified in this category, when the financial situation does not allow them to pay off either capital or interest, their debt-to-equity ratio is high and they are forced to sell their significant assets or payments are between 120 and 365 days past due; in this category the recovery of the credit is doubtful. On the other hand, retail and mortgage borrowers are included in this category when payments are between 61 and 120 days past due and 121 and 365 days past due, respectively.

(v) Loss (4): Non-retail borrowers are classified in this category, when the financial situation does not allow them to deal with refinancing agreements, the entity is not in operation or is in liquidation or payments are more than 365 days past due. On the other hand, retail and mortgage borrowers are included into this category when payments are more than 120 days past due and more than 365 days past due, respectively.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Said credits are written off in accordance with Resolution SBS No. 11356-2008 "Regulations for the evaluation and classification of the debtor and the requirement of provisions". The income from the subsequent recovery of the amounts previously written off is presented net of the amount of the provision for doubtful accounts in the separate statement of income.

The Bank and its Subsidiaries consider as past due credits the corporate credits large and medium companies more than 15 days past due, small and micro companies more than 30 days past due, current account overdrafts more than 30 days past due, and consumer credits, mortgage loans and finance leases more than 90 days past due. In the case of consumer credits, mortgage loans and finance of which payments are between 30 and 90 days past due, only the delinquent quota is considered past due; however, after 90 days of delinquency, the entire balance is considered past due.

The Bank and its Subsidiaries continually review their credit portfolio in order to evaluate the completion and precision of their categories. In addition to the local regulatory provisions, they carry out a review of provisions, governed by the standard IFRS 9, which is based on the product of the following parameters: (i) probability of default (PD) (ii) loss given default (LGD), and (iii) exposure at the time of default (EAD), discounted to the reporting period using the effective interest rate or an approximation of it. Additionally, it considers information about current conditions, as well as projections of future macroeconomic events and conditions in three scenarios (base, optimistic and pessimistic) that are weighted to obtain the expected loss. In addition to the above, the Bank and its Subsidiaries have different methodologies, depending on which regulator they report to, for their provisions for credits segmented by type of banking, depending whether they are in an impaired position or show signs of impairment. Finally, the Bank and its Subsidiaries comply with the provisions required by the local regulator.

The following is a summary of the direct loans classified in three major groups: i) Loans neither past due nor impaired, comprising those direct loans currently without delinquency characteristics and related to clients ranked as normal or potential problems; ii) Past due but not impaired loans, comprising past due loans of clients classified as normal or with potential problems and iii) Impaired loans, or those past due loans of clients classified as substandard, doubtful or loss; presented net of the provision for loan losses for each of the loan classifications:

	As of December 31, 2020						As of December 31, 2019					
	Commercial loans	Residential mortgage loans	Micro-business loans	Consumer loans	Total		Commercial loans	Residential mortgage loans	Micro-business loans	Consumer loans	Total	
	S/000	S/000	S/000	S/000	S/000	%	S/000	S/000	S/000	S/000	S/000	%
Neither past due nor impaired -												
Normal	65,619,528	16,222,161	17,368,173	11,587,428	110,797,290	94.84	53,393,191	15,680,258	12,385,886	13,249,798	94,709,133	95.02
Potential problem	5,079,064	109,608	201,122	288,580	5,678,374	4.86	2,268,261	91,372	268,081	119,720	2,747,434	2.76
Past due but not impaired -												
Normal	750,595	322,741	5,346	177,078	1,255,760	1.07	776,229	384,228	387,807	261,403	1,809,667	1.82
Potential problem	48,955	80,364	304	3,416	133,039	0.11	38,510	78,638	17,106	2,849	137,103	0.14
Impaired -												
Substandard	1,201,553	211,822	394,771	342,403	2,150,549	1.84	601,935	160,896	193,929	214,388	1,171,148	1.17
Doubtful	600,579	317,162	408,720	556,286	1,882,747	1.62	503,894	276,121	324,808	387,172	1,491,995	1.50
Loss	1,288,727	592,162	975,711	566,544	3,423,144	2.93	847,267	472,820	609,296	203,651	2,133,034	2.13
Gross	74,589,001	17,856,020	19,354,147	13,521,735	125,320,903	107.27	58,429,287	17,144,333	14,186,913	14,438,981	104,199,514	104.54
Less: Allowance for loan losses	2,165,995	786,569	2,823,944	2,718,000	8,494,508	7.27	2,076,119	569,618	1,240,655	641,489	4,527,881	4.54
Total, net	72,423,006	17,069,451	16,530,203	10,803,735	116,826,395	100	56,353,168	16,574,715	12,946,258	13,797,492	99,671,633	100

The following table shows the credit rating of customers according to SBS resolution N°11356 and Note 6 shows the accounting situation in accordance with the SBS accounting manual.

As of December 31, 2020 and 2019, refinanced loans amounted to approximately S/1,624.38 million and S/1,163.86 million, respectively, of which S/769.64 million and S/526.33 million, respectively, are classified as neither past due nor impaired, S/140.33 million and S/191.05 million past due but not impaired, and S/714.41 million and S/446.48 million impaired, respectively.

As of December 31, 2020 and 2019, past due loans, but not impaired, are overdue between 30 and 60 days.

The breakdown of the gross amount of impaired loans by class, together with the fair value of related collateral and the amounts of their allowance for loan losses is as follows:

	As of December 31, 2020					As of December 31, 2019				
	Commercial loans	Residential mortgage loans	Micro-business loans	Consumer loans	Total	Commercial loans	Residential mortgage loans	Micro-business loans	Consumer loans	Total
	S/000	S/000	S/000	S/000	S/000	S/000	S/000	S/000	S/000	S/000
Impaired loans	3,090,859	1,121,146	1,779,202	1,465,233	7,456,440	1,953,096	909,837	1,128,033	805,211	4,796,177
Fair value of collateral	2,560,973	893,636	8,300	136,734	3,599,643	1,627,025	737,251	6,103	100,232	2,470,611
Allowance for loan losses	1,401,841	552,278	1,220,812	988,414	4,163,345	968,217	447,379	793,015	489,379	2,697,990

d) Credit risk management on investments in trading securities, available-for-sale and held-to-maturity -

The Bank and its Subsidiaries evaluate the credit risk identified of each of the financial instruments in these categories, disclosing the risk rating granted to them by a risk rating agency. For investments traded in Peru, the risk ratings used are those provided by the three most prestigious Peruvian rating agencies (authorized by the Peruvian government regulator, SBS) and for investments traded abroad, the risk ratings used are those provided by the three most prestigious international rating agencies.

The following table shows the analysis of the risk rating of investments at fair value through profit or loss (trading) available-for-sale and held-to-maturity, provided by the institutions referred to above:

	As of December 31, 2020		**As of December 31, 2019**	
	S/000	**%**	**S/000**	**%**
Instruments rated in Peru:				
AAA	189,746	0.52	100,297	0.57
AA- to AA+	43,779	0.12	3,414	0.02
A- to A+	11,262	0.03	7,236,583	40.91
BBB- to BBB+	15,145,436	41.28	494,156	2.79
BB- to BB+	648,589	1.77	356,067	2.01
B- to B+	3,724	0.01	8,798	0.05
CCC+	9,170	0.02	-	-
Unrated				
BCRP certificates of deposit	17,237,156	46.97	8,665,271	49.00
Listed and non-listed securities	2,077	0.01	6,836	0.04
Subtotal	33,290,939	90.73	16,871,422	95.39
Instruments rated abroad:				
A- to A+	1,200,133	3.27	286,581	1.62
BBB- to BBB+	1,234,185	3.36	361,413	2.05
BB- to BB+	410,748	1.12	76,839	0.43
Unrated				
Negotiable certificates of deposit	414,680	1.13	-	-
Listed and non-listed securities	142,932	0.39	91,067	0.51
Subtotal	3,402,678	9.27	815,900	4.61
Total	36,693,617	100.00	17,687,322	100.00

e) Concentration of financial instruments exposed to credit risk:

As of December 31, 2020 and 2019, financial instruments with exposure to credit risk were distributed considering the following economic sectors:

	As of December 31, 2020						As of December 31, 2019					
	Held for trading and hedging (*)	At inception	Loans and receivables	Investments available-for-sale	Investments held-to-maturity	Total	Held for trading and hedging(*)	At inception	Loans and receivables	Investments available-for-sale	Investments held-to-maturity	Total
	S/000	S/000	S/000	S/000	S/000	S/000	S/000	S/000	S/000	S/000	S/000	S/000
Peruvian Central Bank	1,876,550	-	26,003,492	15,364,279	-	43,244,321	-	-	21,166,545	8,665,271	-	29,831,816
Financial services	713,916	-	11,490,664	2,864,978	-	17,390,135	676,025	-	8,490,676	553,274	-	9,719,975
Manufacturing	11,145	-	16,823,707	555,283	-	13,755,765	10,294	-	14,862,904	199,142	-	15,072,340
Commerce	6,975	-	23,470,571	281,249	-	23,758,795	10,415	-	17,108,239	74,940	-	17,193,594
Electricity, gas and water	71,230	-	3,072,541	824,444	-	3,968,215	6,986	-	2,786,916	553,260	-	3,347,162
Government and public administration	257,507	-	408,938	9,338,791	4,934,031	14,939,267	-	-	512,559	4,112,388	3,456,144	8,081,091
Leaseholds and real estate activities	15,830	-	11,503,951	-	-	11,519,781	6,286	-	8,562,133	-	-	8,568,419
Communications, storage and transportation	260	-	7,235,674	158,753	-	7,394,687	3,974	-	5,755,558	2,419	-	5,761,951
Mining	29,523	-	3,419,715	169,592	-	3,618,830	22,303	-	3,100,358	46,405	-	3,169,066
Community services	-	-	7,421,852	-	-	7,421,852	-	-	5,673,387	-	-	5,673,387
Construction	17,358	-	3,177,491	-	-	3,194,849	7,129	-	2,114,279	-	-	2,121,408
Agriculture	3,419	-	3,119,753	3,724	-	3,126,896	1,963	-	2,488,230	3,870	-	2,494,063
Education, health and other services	5,569	-	2,421,680	-	-	2,427,249	3,325	-	1,908,898	20,209	-	1,932,432
Insurance	10,080	-	101,528	-	-	111,608	5,099	-	119,656	-	-	124,755
Fishing	923	-	571,412	9,169	-	581,504	321	-	364,960	-	-	365,281
Hotels and restaurants	-	-	2,626,738	-	-	2,626,738	-	-	2,110,030	-	-	2,110,030
Others	46,007	-	122,984	20,824	-	189,815	76,215	-	315,310	-	-	391,525
Sub - Total	3,066,292	-	122,992,691	29,591,086	4,934,031	160,584,100	830,335	-	97,440,638	14,231,178	3,456,144	115,958,295
Residential mortgage loans	-	-	17,218,026	-	-	17,218,026	-	-	16,602,768	-	-	16,602,768
Revolving and non-revolving loans	-	-	12,427,756	-	-	12,427,756	-	-	14,047,808	-	-	14,047,808
Total	3,066,292	-	152,638,473	29,591,086	4,934,031	190,229,882	830,335	-	128,091,214	14,231,178	3,456,144	146,608,871

(*) Correspond to financial instruments at fair value through profit or loss.

As of December 31, 2020 and 2019, the financial instruments with exposure to credit risk were distributed by the following geographical areas:

	Held for trading and hedging (*)	At inception	Loans and receivables	Investments available for sale	Investments held-to maturity	Total
	S/000	S/000	S/000	S/000	S/000	S/000
As of December 31, 2020						
Peru	2,260,178	-	146,517,011	26,293,721	4,934,031	180,004,941
United States of America	146,577	-	2,390,661	1,453,003	-	3,990,241
Chile	50,324	-	822,449	346,119	-	1,218,892
Panama	-	-	234,556	83,492	-	318,048
Colombia	41,704	-	1,006,838	944,056	-	1,992,598
Brazil	40,845	-	587,144	14,783	-	642,772
Canada	25,149	-	70,562	-	-	95,711
Mexico	-	-	145	157,754	-	198,791
Guatemala	-	-	73,297	5,221	-	78,518
Europe:						
United Kingdom	24,996	-	341,979	-	-	366,975
Netherlands	-	-	122,696	-	-	122,696
France	421,127	-	16,961	68,097	-	506.185
Spain	-	-	37,194	-	-	37,194
Switzerland	-	-	289	-	-	289
Germany	14,500	-	46,158	-	-	60,658
Others in Europe	-	-	3,374	384	-	3,758
Multilateral Organizations (*)	-	-	-	126,839	-	126,839
Others	-	-	367,159	97,617	-	464,776
Total	3,066,292	-	152,638,473	29,591,086	4,934,031	190,229,882

(*) Correspond to financial instruments at fair value through profit or loss.
(**) Banco de Desarrollo de América Latina (CAF).

	Held for trading and hedging (*)	At inception	Loans and receivables	Investments available for sale	Investments held-to maturity	Total
	S/000	S/000	S/000	S/000	S/000	S/000
As of December 31, 2019						
Peru	91,068	-	122,732,517	13,415,278	3,456,144	139,695,007
United States of America	236,820	-	892,543	118,314	-	1,247,677
Chile	37,488	-	1,538,121	206,143	-	1,781,752
Panama	-	-	342,891	35,041	-	377,932
Colombia	9,013	-	1,053,028	291,199	-	1,353,240
Brazil	-	-	466,552	-	-	466,552
Canada	29,976	-	109,513	-	-	139,489
Mexico	-	-	484	74,136	-	74,620
Guatemala	-	-	124,229	-	-	124,229
Europe:						
United Kingdom	188,472	-	267,782	-	-	456,254
Netherlands	-	-	26,092	-	-	26,092
France	222,451	-	25,865	-	-	248,316
Spain	-	-	30,379	-	-	30,379
Switzerland	-	-	49	-	-	49
Germany	15,047	-	68,079	-	-	83,126
Others in Europe	-	-	4,758	-	-	4,758
Multilateral Organizations (*)	-	-	-	4,609	-	4,609
Others	-	-	408,332	86,458	-	494,789
Total	830,335	-	128,091,214	14,231,178	3,456,144	146,608,871

(*) Correspond to financial instruments at fair value through profit or loss.
(**) Banco de Desarrollo de América Latina (CAF).

29.2 Liquidity risk -

Liquidity risk is the risk that the Bank and its Subsidiaries are unable to comply with their short term obligations related to financial liabilities at maturity and replace funds when they are withdrawn. In this sense, if the Bank faces a liquidity crisis it would be failing to comply with the payment of its obligations to its depositors, loan commitments and other operating cash requirements.

The Bank and its Subsidiaries are exposed to daily calls on, among others, their available cash resources from overnight deposits, current accounts, maturing deposits, loans draw-downs, guarantees and other calls. The Management of the Bank and its Subsidiaries set limits on the minimum amount of high quality liquid assets to meet said calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover unexpected levels of withdrawals. Sources of liquidity are periodically reviewed by the corresponding risk teams so as to guarantee adequate diversification by currency, geography, type of funding, supplier, producer and term.

The process of controlling mismatching of the maturities and interest rates of assets and liabilities is fundamental to the Management of the Bank and its Subsidiaries. It is unusual for banks to be completely matched, as transacted business is often based on uncertain terms and of different types. An unmatched position potentially enhances profitability, but also increases the risk of illiquidity, which generates exposure to potential losses.

The maturities of assets and liabilities and the ability to replace them at maturity, at an acceptable cost, are important factors in assessing the liquidity of the Bank.

A mismatch in the maturities of the illiquid long term assets against short term liabilities exposes the consolidated statement of financial position to risks related both to refinancing as well as interest rates. If the liquid assets do not cover the debts at maturity, the consolidated statement of financial position is vulnerable to the risk of refinancing. Moreover, a significant increase in interest rates can substantially increase the cost of refinancing liabilities at short term, leading to a rapid increase in the cost of debt. The mismatch report of contractual maturity is useful for showing the liquidity position.

Guidelines have been established in the Bank and its Subsidiaries for liquidity risk management. Risk Management establishes limits and a scheme of autonomies for the liquidity indicators which are being managed.

Liquidity Risk Management is carried out through indicators like Internal Liquidity Coverage Ratio (ILCR), which measures the amount of liquid assets available to meet the cash outflows in a determined stress scenario (specific or systemic) usually for a period of 30 days and the Net Stable Internal Funding Ratio (NSIFR), which has been defined to guarantee that long term assets are financed at least with a minimum of stable liabilities in a prolonged liquidly crisis scenario and functions as a mechanism of minimum compliance which complements the ILCR. (The Bank and its subsidiaries perform an additional control of the 15- and 60-day RCLI). These indicators have core limits of 100 percent and any excess is presented in the Treasury Risks Committee, Risk Committee and Assets, Liabilities Committee (ALCO).

The Notes to the financial statements include an analysis of the relevant liabilities of the Bank and its Subsidiaries based on contractual maturity.

The table below presents the cash flows payable and receivable by the Bank and its Subsidiaries according to agreed contractual maturities (including future interest payments) at the date of the consolidated statement of financial position. The amounts disclosed in the table are the contractual undiscounted cash flows:

	As of December 31, 2020						As of December 31, 2019					
	Up to 3 months	From 3 months to 1 year	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total	Up to 3 months	From 3 months to 1 year	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
	S/000	S/000	S/000	S/000	S/000	S/000	S/000	S/000	S/000	S/000	S/000	S/000
Financial assets	65,275,721	38,985,810	59,142,464	27,239,066	35,034,856	225,677,917	48,818,315	43,964,141	34,502,363	20,668,556	27,504,691	175,458,066
Financial liabilities by type												
Deposits and obligations and interbank funds	47,385,065	16,300,014	22,876,490	35,281,835	11,657,208	133,500,612	40,307,861	17,507,030	16,422,490	23,885,294	7,281,551	105,404,226
Payables from repurchase agreements, due to banks, correspondents and other entities	2,625,624	7,599,697	1,9320,953	553,934	11,184,771	41,284,979	4,480,778	1,123,851	1,494,708	479,811	7,843,918	15,423,066
Bonds and subordinated Notes issued	597,890	1,503,378	5,099,750	8,553,131	154,996	15,909,145	699,005	2,144,490	5,881,952	5,310,605	2,518,421	16,554,473
Other liabilities	1,538,255	155,260	-	-	1,410,000	3,103,515	2,153,727	147,764	-	-	1,203,309	3,504,800
Equity	-	-	-	-	18,943,368	18,943,368	-	-	-	-	19,025,400	19,025,400
Total non-derivative liabilities	52,146,834	25,558,349	47,297,193	44,388,900	43,350,343	212,741,619	47,641,371	20,923,135	23,799,150	29,675,710	37,872,599	159,911,965
Derivative financial liabilities												
Contractual amounts receivable (inflow)	1,854,593	557,277	700,811	287,004	970,363	4,370,048	1,643,042	1,239,499	655,716	292,200	955,921	4,786,378
Contractual amounts payable (outflow)	1,142,343	411,039	830,359	288,696	913,379	3,585,816	940,720	797,932	911,863	334,127	997,206	3,981,848
Total derivative liabilities	712,250	146,238	(129,548)	(1,692)	56,984	784,232	702,322	441,567	(256,147)	(41,927)	(41,285)	804,530

The table below shows the contractual maturity of the contingent credits of the Bank and its Subsidiaries at the date of the consolidated statement of financial position:

	As of December 31, 2020						As of December 31, 2019					
	Up to 3 months	From 3 months to 1 year	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total	Up to 3 months	From 3months to 1 year	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
	S/000	S/000	S/000	S/000	S/000	S/000	S/000	S/000	S/000	S/000	S/000	S/000
Contingent credits (Indirect loans)	389,495	859,907	13,274,699	5,367,856	40,516	19,932,472	379,513	837,871	12,934,531	5,230,303	39,478	19,421,696

The Banks and its Subsidiaries expect that not all of the contingent liabilities or commitments will be drawn before the expiry of the commitments.

29.3 **Market risk** -

The Bank and its Subsidiaries are exposed to market risk, which is the risk that the fair value or future cash flows of a financial instrument may fluctuate because of changes in market prices. Market risks arise from open positions in interest rates, foreign exchange rates, commodities and equity products; all of which are exposed to general and specific market movements, and changes in the level of price volatility, such as interest rates, credit margins, foreign currency exchange rates and share prices. Due to the mandate of the current operations of the Bank and its subsidiaries, the price risk of commodities has not been approved, therefore this type of instrument is not agreed.

The Bank and its Subsidiaries separate exposures to market risk into two groups: (i) those that arise from value fluctuation of investment trading portfolios due to movements of market rates or prices (Trading Book) and (ii) those that arise from changes in the structural positions of non-trading portfolios (Banking book), due to movements of the interest rates, prices and foreign exchange ratios.

The risks that the trading portfolios are exposed to are managed through historical simulation techniques of Value at Risk (VaR); while non-trading portfolios are monitored using rate sensitivity metrics which form part of Asset and Liability Management (ALM).

a) Trading Book -

The trading book is characterized for having liquid positions in equities, bonds, foreign currencies and derivatives, arising from market-making transactions where the Bank acts as a principal with the clients or with the market. This portfolio includes investments and derivatives classified by Management as held for trading.

(i) Value at Risk (VaR) -

The Bank and its Subsidiaries apply the VaR approach to their trading portfolio to estimate the market risk of positions held and the maximum losses that are expected, based upon a number of assumptions for various changes in market conditions, as well as being applied to estimate the foreign exchange risk of the structured exchange position.

Daily calculation of VaR is a statistically-based estimate of the potential loss on the current portfolio from adverse market movements.

The VaR model expresses the “maximum” amount the Bank and its Subsidiaries might lose, but only to a certain level of confidence (99.0 percent). There is therefore a specified statistical probability (1 percent) that the actual loss could be greater than the VaR estimate. The VaR model assumes a certain “holding period” until positions can be closed (1 - 10 days).

The time horizon used to calculate VaR is one day; however, the one-day VAR is amplified to a 10-day time frame and calculated multiplying the one-day VaR times the square root of 10. This adjustment assumes that the changes in the portfolio in the following days have a normal distribution, identical and independent. Thus, the result is multiplied by an adjustment factor of non-normality.

The assessment of trading portfolio movements has been based on historical one-year data and 39 market risk factors, which are composed as follows: 24 market curves, 14 foreign exchange rates , and 1 volatility serie. The Bank and its Subsidiaries apply these historical changes in the risk factors directly to its current positions (a method known as historical simulation).

Management of the Bank and its Subsidiaries believes that market and exchange risk factors incorporated into the VaR model are adequate to measure the market risk to which its trading book is exposed.

The use of this approach does not prevent losses outside of these limits in the event of more significant market movements. Losses exceeding the VaR figure may occur, on average under normal market conditions, no more than once every hundred days.

VaR limits have been established to control and keep track of all the risks taken which arise from the size of the positions and/or the volatility of the risk factors embedded in each financial instrument. Regular reports are prepared for the Treasury Risks and ALM Risk Committee, the Risk Management Committee and Senior Management.

The VaR of the Bank and its Subsidiaries showed an increase during 2020, as a consequence of greater volatility of market risk factors caused by the COVID-19 pandemic, as well as an increase in the position of the Fixed Income portfolio and a positive global exchange position. During the period, the VaR remained contained in the limits of appetite for risk established by the Risk Management of the Bank and its Subsidiaries.

As of December 31, 2020 and 2019, the Bank and its Subsidiaries VaR by risk type is as follows:

	2020 S/000	2019 S/000
Interest rate risk	37,065	3,390
Price risk	-	-
Volatility risk	708	463
Exchange rate risk	14,747	1,263
Diversification effect	(20,470)	(1,498)
Consolidated VaR by risk type	32,050	3,618

b) ALM Book -

Non-trading portfolios which belong to the Banking Book are exposed to different risks given that they are sensitive to movements in market rates that can bring about a deterioration in the value of the assets compared to its liabilities and hence to a reduction in its net value.

(i) Interest rate risk -

Interest rate risk in the banking book refers to the risk that changes in interest rates may negatively affect the expected profits (profits at risk) or market value of the assets and liabilities of the balance sheet (Net economic value). The Bank and its Subsidiaries assume the exposure to the effects of fluctuations in the prevailing levels of market interest rates which affect the fair value and future cash flow risks of assets and liabilities.

The Risk Committee sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored periodically in the ALCO.

The management of interest rate risk in the Bank and its subsidiaries is carried out through the analysis of re-pricing gaps, financial margin sensitivity (GER) and sensitivity of the Net Economic Value (VEN). These calculations consider different rate shocks in situations of stress and take in account periods of high volatility.

Re-pricing gap -

The repricing gap analysis is intended to measure the interest rate risk exposure due to re-pricing periods in which assets and liabilities both on and off balance sheet are grouped together, when the bank's interest-sensitive liabilities exceed its interest-sensitive assets. By this analysis, management can identify the tranches in which the interest rate variations may have a potential impact on the expected profits.

The table below summarizes the Bank and its Subsidiaries' exposure to interest rate risks. It includes the financial instruments of the Bank and its Subsidiaries at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates:

	As of December 31, 2020						
	Up to 1 month	**From 1 to 3 months**	**From 3 to 12 months**	**From 1 to 5 years**	**More than 5 years**	**Non-interest bearing**	**Total**
	S/000	**S/000**	**S/000**	**S/000**	**S/000**	**S/000**	**S/000**
Assets							
Cash and interbank funds	17,043,915	1,593,766	1,899,166	7,615,173	148,414	6,093,541	34,393,975
Loan portfolio (*)	11,095,043	14,592,714	28,344,906	51,375,190	14,474,205	(2,500,688)	117,381,370
Investments	4,406,814	10,684,428	2,231,470	5,687,473	11,403,411	111,521	34,525,117
Other assets	-	-	-	-	-	793,065	793,065
Total assets	32,545,772	26,870,908	32,475,542	64,677,836	26,026,030	4,497,439	187,093,527
Liabilities							
Deposits and obligations and interbank funds	35,989,887	9,186,605	15,970,398	57,273,856	6,452,169	2,099,040	126,971,955
Payable from repurchase agreements, due to banks, correspondents and other entities	58,407	2,243,107	7,456,448	19,483,418	2,828,096	41,787	32,111,263
Bonds and subordinated Notes issued	3	357,386	1,088,607	12,063,326	145,000	157,351	13,811,673
Other liabilities	-	-	-	-	-	2,566,578	2,566,578
Equity	-	-	-	-	-	18,943,369	18,943,369
Total liabilities and equity	36,048,297	11,787,098	24,515,453	88,820,600	9,425,265	23,808,125	194,404,838
Risk and contingent commitments							
Hedging derivatives asset	547,271	1,307,322	557,277	341,564	-	-	2,753,434
Hedging derivatives liabilities	112,357	1,017,607	360,010	1,046,481	238,600	-	2,775,055
Marginal gap	(3,067,611)	15,373,525	8,157,356	(24,847,681)	16,362,165	(19,310,686)	(7,332,932)
Accumulated gap	(3,067,611	12,305,914	20,463,270	(4,384,411)	11,977,754	7,332,932)	-

(*) The amount presented in the column "Do not accrue interest" includes the balance of internal overdue loans and under legal collection loans, accrued interest, unearned interest and the allowance for loan losses.

	As of December 31, 2019						
	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Non-interest bearing	Total
	S/000	S/000	S/000	S/000	S/000	S/000	S/000
Assets							
Cash and interbank funds	10,903,212	1,789,269	3,578,967	5,199,787	121,093	5,219,597	26,811,925
Loan portfolio (*)	13,438,369	16,289,035	25,045,884	31,971,339	13,837,173	(245,670)	100,336,130
Investments	1,049,522	1,249,694	7,149,031	3,443,133	4,694,236	101,706	17,687,322
Other assets	80,001	-	-	-	-	854,588	934,589
Total assets	25,471,104	19,327,998	35,773,882	40,614,259	18,652,502	5,930,221	145,769,966
Liabilities							
Deposits and obligations and interbank funds	27,964,054	8,536,680	16,776,122	38,604,921	4,950,061	2,806,309	99,638,147
Payable from repurchase agreements, due to banks, correspondents and other entities	2,719,940	2,847,070	4,700,742	1,640,514	2,383,503	171,865	14,463,634
Bonds and subordinated Notes issued	182,440	241,839	1,641,891	9,763,132	2,464,800	18,824	14,312,926
Other liabilities	-	-	-	-	-	2,489,440	2,489,440
Equity	-	-	-	-	-	19,025,400	19,025,400
Total liabilities and equity	30,866,434	11,625,589	23,118,755	50,008,567	9,798,364	24,511,838	149,929,547
Risk and contingent commitments							
Hedging derivatives asset	2,806,693	2,849,046	454,349	272,223	165,700	-	6,548,011
Hedging derivatives liabilities	323,360	821,872	3,798,631	1,110,774	406,320	-	6,460,957
Marginal gap	(2,911,998)	9,729,581	9,310,840	(10,232,891)	8,613,497	(18,581,556)	(4,072,527)
Accumulated gap	(2,911,998)	6,817,583	16,128,423	5,895,532	14,509,029	(4,072,527)	-

(*) The amount presented in the column "Do not accrue interest" includes the balance of internal overdue loans and under legal collection loans, accrued interest, unearned interest and the allowance for loan losses.

Other assets and other liabilities only include financial accounts.

Investments accounted for at fair value through profit or loss and trading derivatives are not considered, since these instruments are part of the trading book and the Value at Risk methodology is used to measure their market risks.

Sensitivity to changes in interest rates -

The sensitivity analysis of interest rates on ALM is performed by conducting an assessment of the sensitivity of the financial margin, which measures variances in the expected accruals over a given period of time and in the event of a parallel movement of the interest rate curves together with the sensitivity of the net Economic Value, which is a long-term measurement determined as the difference between the net carrying amount of assets and liabilities before and after a variance in interest rates.

Sensitivity of the financial margin is the effect of the estimated changes in interest rates on the finance income, net for a year, before income tax and financial liabilities as of December 31, 2020 and 2019; including the effect of derivative financial instruments. The sensitivity of the Net Economic Value is calculated by re-assessing the financial assets and liabilities sensitive to interest rate changes and which comprise the ALM and held to maturity at a fixed interest rate, before income tax and any non-controlling interest, included the effect of any hedge relating to derivatives designated as cash flow hedges. For purposes of interest rate risk management, there is no distinction made by accounting category of the investments comprising the ALM, in which instruments classified as available-for-sale and held-to-maturity are included. The results of the sensitivity analysis from the estimated changes in interest rates as of December 31, 2020 and 2019 are as follows:

Currency	Changes in basis points		Sensitivity of financial margin S/000		Sensitivity of economic value S/000	
As of December 31, 2020 -						
US dollars	+/-	50	+/-	45,636	+/-	238,652
US dollars	+/-	75	+/-	68,455	+/-	357,979
US dollars	+/-	100	+/-	91,273	+/-	477,305
US dollars	+/-	150	+/-	136,909	+/-	715,957
US dollars	+/-	300	+/-	273,818	+/-	1,431,914
Soles	+/-	50	+/-	19,532	-/+	471,036
Soles	+/-	75	+/-	29,298	-/+	706,553
Soles	+/-	100	+/-	39,064	-/+	942,071
Soles	+/-	150	+/-	58,596	-/+	1,413,107
Soles	+/-	300	+/-	117,192	-/+	2,826,214
As of December 31, 2019 -						
US dollars	+/-	50	+/-	53,900	+/-	114,753
US dollars	+/-	75	+/-	80,850	+/-	172,130
US dollars	+/-	100	+/-	107,800	+/-	229,506
US dollars	+/-	150	+/-	161,700	+/-	344,260
US dollars	+/-	300	+/-	323,400	+/-	688,519
Soles	+/-	50	-/+	9,354	-/+	332,401
Soles	+/-	75	-/+	14,031	-/+	498,601
Soles	+/-	100	-/+	18,708	-/+	664,801
Soles	+/-	150	-/+	28,063	-/+	997,202
Soles	+/-	300	-/+	56,125	-/+	1,994,404

The sensitivities of the interest rates shown above are only for illustrative purposes and are based on simplified scenarios. The figures reflect the effect of the pro-forma movements on the net finance income on the basis of the projected scenarios of the yield curve and the interest rate risk profile that the Bank and its Subsidiaries currently have. However, this effect does not includes the actions that would be taken by Management to mitigate the potential impact of this risk on interest rates.

In addition, the Bank and its Subsidiaries seek proactively to change the interest rate risk profile to minimize losses and optimize net revenues. The projections above also assume that the interest rate of all maturities moves by the same amount and, therefore, do not reflect the potential impact on net finance income of some rates changing while others remain unchanged. The projections also include assumptions for simplifying calculations, such as, for example, that all positions run to maturity.

Equity securities and mutual funds, classified as available-for-sale investments, are not considered as part of the investment securities for interest rate sensitivity calculation purposes; however, sensitivity tests have been carried out of changes of 10, 25 and 30 percent in the market prices of these price-sensitivity securities in order to evaluate the effect of the expected unrealized gain or loss on other comprehensive income, before income tax, as of December 31, 2020 and 2019, as presented below:

Market price sensitivity	**Changes in market prices**	**2020**	**2019**
	%	**S/000**	**S/000**
Equity securities	+/-10	10,410	9,790
Equity securities	+/-25	26,024	24,476
Equity securities	+/-30	31,229	29,371

(ii) Foreign exchange risk -

The Bank and its Subsidiaries are exposed to foreign currency exchange rates on their financial position and consolidated cash flows. Management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

The foreign currency transactions are made at the free market exchange rates.

As of December 31, 2020, the weighted average market exchange rate published by the SBS for transactions in American dollar was S/ 3.618 for buying and S/3.624 for selling (S/3.311 for buying and S/3.317 for selling, as of December 31, 2019, respectively). As of December 31, 2020, the exchange rate established by the SBS to record assets and liabilities in foreign currencies was S/3.621 for each American dollar (S/3.314 for each American dollar, as of December 31,2019). The Bank and its Subsidiaries assets and liabilities by currencies, expressed in thousands of American dollars, were as follows:

	2020		**2019**	
	US dollar	**Other currencies**	**US dollar**	**Other currencies**
	US$000	**US$000**	**US$000**	**US$000**
Monetary assets				
Cash and Interbank funds	6,665,526	19,528	6,946,601	22,831
Investments at fair value through profit or loss and available for sale investments, net	1,359,899	132,810	459,158	18,770
Held-to-maturity investments	24,605	-	30,265	-
Loan portfolio, net	8,677,572	676	9,981,384	477
Other assets	433,116	4	348,221	6
	17,160,718	153,018	17,765,629	42,084

	2020		2019	
	US dollar	Other currencies	US dollar	Other currencies
	US$000	US$000	US$000	US$000
Monetary liabilities				
Deposits and obligations	(13,906,856)	(18,761)	(12,438,104)	(22,260)
Accounts payable from repurchase agreements	(70,590)	-	(221,618)	-
Due to banks, correspondents, other entities and interbank funds	(465,384)	-	(1,528,837)	-
Bonds and subordinated Notes issues	(2,801,725)	(48,479)	(3,042,814)	(46,037)
Other liabilities	(364,479)	(134)	(244,332)	(188)
	(17,609,034)	(67,374)	(17,475,705)	(68,485)
Net forward position overbought (oversold)	21,023	3,064	(441,323)	59
Net position - currency swaps	336,559	(6,102)	(84,995)	-
Net position - cross currency swaps hedge	114,263	(80,344)	208,970	28,615
Foreign currency options, net	8,871	-	(7,565)	-
	480,716	(83,382)	(324,913)	28,674
Net monetary position	32,400	2,262	(34,989)	2,273

As of December 31, 2020, the Bank and its Subsidiaries have contingent operations (indirect loans) in foreign currency for approximately US$3,715.0 million, equivalent to approximately S/13,452.1 million (approximately US$3,848.2 million, equivalent to approximately S/12,753.1 million, as of December 31, 2019), see Note 18.

The Bank and its Subsidiaries manage foreign exchange risk by monitoring and controlling the exchange positions exposed to changes in exchange rates. The Bank and its Subsidiaries measure their performance in soles, so if the net foreign exchange position (e.g. American dollar) is an asset, any depreciation of the soles with respect to this currency would positively affect the consolidated statement of financial position of the Bank and its Subsidiaries. The current position in a foreign currency comprises exchange rate-linked assets and liabilities in that currency. An institution's open position in individual currencies comprises assets, liabilities and off-balance sheet items denominated in the respective foreign currency for which the institution itself bears the risk; any appreciation/depreciation of the foreign exchange would affect the consolidated statement of income.

The Bank and its Subsidiaries net foreign exchange balance is the sum of its positive open non- soles positions (net long position) less the sum of its negative open non- soles positions (net short position); and any devaluation/revaluation of the foreign exchange position would affect the consolidated statement of income. A currency mismatch would leave the consolidated statement of financial position of the Bank and its subsidiaries vulnerable to a fluctuation of the foreign currency (exchange rate shock).

The table below shows the sensitivity analysis of the American dollar, the principal currency to which the Bank and its Subsidiaries have significant exposure as of December 31, 2020 and 2019 in its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the exchange rate against the soles, with all other variables held constant, on the consolidated statement of income, before income tax. A negative amount in the table reflects a potential net reduction in the consolidated statement of income, while a positive amount reflects a net potential increase:

Currency rate sensitivity	Change in currency rate	2020	2019
	%	S/000	S/000
Devaluation -			
US dollars	5	5,587	(5,522)
US dollars	10	10,665	(10,541)
Revaluation -			
US dollars	5	(6,175)	6,103
US dollars	10	(13,036)	12,884

29.4 Operational risk -

The operational risk is the possibility of the occurrence of losses due to inadequate processes, staff errors, information technology and relations with third parties or external events. Operational risk can produce financial losses and have legal or regulatory compliance consequences, but excludes strategic or reputation risk.

Operational risks are grouped into internal fraud, external fraud, labor relations and safety in the workplace, customer relations, business products and practices, damages to material assets, business and systems interruption and faults in process execution, delivery and management.

The Bank and its Subsidiaries have, as one of their core values, the development of an efficient risk culture, and to achieve this, it records the operational risks and their respective controls per process. Risk mapping permits their monitoring, prioritization, and proposed treatment in accordance with the established governance.

The business continuity management system allows establishing, implementing, operating, monitoring, reviewing, maintaining and improving business continuity based on best practices and regulatory requirements. The Group implements recovery strategies for the resources that support important products and services of the organization, which will be periodically tested to measure the effectiveness of the strategy. In the management of operational risk and business continuity, corporate guidelines are used and methodologies and best practices are shared among the Group's companies.

The management of information security is carried out through a systemic process, documented and known by the entire organization under the best practices and regulatory requirements. The Group designs and develops the guidelines described in the policy and procedures to have strategies for availability, privacy and integrity of the information assets of the organization.

Finally, the management of the Transfer of Non-Financial Risks is incorporated as a recovery mechanism before the materialization of operational risks, mainly through Insurance Policies contracted individually or corporately in the local and international market, which cover losses due to fraud, civil and professional liability, cyber risks, damage to physical assets, among others. The design of the Insurance is in accordance with the main operational risks of the Bank and Subsidiaries, the coverage needs of key areas and the risk appetite of the organization, constantly seeking efficiencies in the cost of policies, working together with Pacifico Compañía de Seguros and Reinsurance and the most important reinsurance brokers in the international market.

29.5 Cybersecurity -

The Bank and its subsidiaries focus their efforts on the most cost-efficient strategies to reduce exposure to cybersecurity risk; by doing this, they fulfill its appetite for risk. To achieve this, different levels of controls are applied adapted to the different potentially exposed areas and companies. Therefore, it maintains an important investment program, which allows it to have the technologies and processes necessary to keep operations and assets safe.

As part of cybersecurity management, the Bank and its subsidiaries have lines of action that allow mitigating this risk. These lines of work are:

- Cybersecurity maturity according to the FFIEC reference framework, allows defining the guide for the implementation of cybersecurity controls.

- Policies and guidelines make it possible to standardize the levels of compliance with cybersecurity.

- The aim of the awareness programs is to generate a culture of cybersecurity. To achieve this, constant training is carried out.

- The cybersecurity indicators that indicate the effectiveness of the processes in terms of the periodic evaluations carried out.

- The governance of suppliers that ensures the deployment of policies to third parties. In other words, when a supplier wishes to interconnect digitally with any of the Bank and its subsidiaries.

- The implementation of security technologies, which seeks to cover said risks according to the threat trend and the risk profile of the Bank and its subsidiaries.

- The “Tabletop” tests that help to identify the level of response of the collaborators, through incident simulation tests.

- Cybersecurity risk management allows for a response work plan to address cyber risks through periodic evaluations of each of the applications of the Bank and its subsidiaries.

29.6 Corporate Security and Cyber Crime -

The Bank and its Subsidiaries, as part of non-financial risk management, implement policies, procedures, and actions that safeguard the safety of employees, clients, and assets of the organization. In addition, it protects the institution against incidents of fraud, security and reputational risk. Likewise, it fosters a culture of prevention, which allows minimizing the risks of fraud and security. Finally, it has established a solid relationship with stakeholders and Financial Institutions in the region in search of implementing best practices for the benefit of its clients.

Part of fraud and security management is to have a comprehensive security scheme called MISB (Comprehensive Banking Security Model), which includes the variables of prevention, detection, response and recovery. The MISB has 6 strategic axes: Training and training for internal / external clients, fraud and security risk assessments (COSO), business support through early alerts, continuous monitoring and reporting, specialized forensic investigation and cyber-intelligence.

Finally, there is a second line of defense scheme focused on generating a comprehensive vision of fraud and security risks. With a preventive approach, we have state-of-the-art technological tools that are able to monitor in real time the interconnection between the main channels of the Bank and its Subsidiaries to the new “Real Time” Transactional Monitoring system. Likewise, there are advanced analysis models for risk profiling for the detection of internal fraud and the implementation of tools to detect anomalous behaviors.

Regarding physical security risk management and incident management, there is a regulation of video surveillance and protection of personal data through a video-intelligence system.

At the union level, under the framework of the development of guidelines for the Financial Institutions that make up the Association of Banks; the Bank is part of the Strategic Committee for Comprehensive Security of ASBANC. The aim was to mitigate the risks of the new digital era in a collegial way.

Finally, we actively participate in conferences exposing our model in Fraud and Security Risk Management with an emphasis on Cyber-Crime at the level of organizations such as: OAS, FELABAN, FIBA USA, ASIS, among other institutions at the regional level. This in order to contribute to the exchange of good practices, scenarios and future vision in this area.

29.7 Model Risk -

Model is defined as an algorithm or system of optimized algorithms that processes data to convert it into useful information for decision-making in a relevant population for the business. Models are simplified representations of the real world that are the object of interest, study, or analysis. This simplification allows the Bank to focus its attention on the specific aspects that are considered most important for the application of a given model. The Bank uses models for different purposes such as credit admission, capital calculation, behavior, provisions, market risk, liquidity, among others.

Model risk is defined as the probability of loss resulting from decisions (credit, market, among others) based on the use of poorly designed and / or poorly implemented models. The sources that generate this risk are mainly: deficiencies in data, errors in the model (from design to implementation), use of the model.

Model risk management is proportional to the importance of each model. In this sense, a concept of “tiering” is defined as the main attribute to synthesize the level of importance or relevance of a model, from which the intensity of the model risk management processes that must be followed is determined.

Model risk management is structured around a set of processes known as the model life cycle. The definition of the phases of the life cycle of the model in the Bank is detailed below: Identification, Planning, Development, Internal validation, Approval, Implementation and use, and Monitoring and control.

29.8 Capital management -

The Bank and its Subsidiaries actively manage a capital base to cover the inherent risks in their activities. The capital adequacy of the Bank and its Subsidiaries is monitored using, among other measures, the norms and ratios established by the SBS, the supervising authority of its main Subsidiaries and for consolidation purposes, see Note 14(g). Furthermore, capital management responds to market expectations in relation to the solvency of the Bank and its Subsidiaries and to support the growth of the businesses considered in the strategic planning. In this way, the capital maintained by the Bank and its Subsidiaries permits them to assume unexpected losses in normal conditions and conditions of severe stress.

Capital management has as its main objectives: (i) to comply with the capital requirements established by the regulatory entities of the sector in which the Bank and its Subsidiaries operate; (ii) to safeguard the operating capacity of the Bank and its Subsidiaries so that it continues providing

returns to the shareholders and benefits to other stakeholders: (iii) to maintain a solid capital base to support the development of its activities, in line with the limits and tolerances established in the declaration of Risk Appetite.

Legislative Decree N°1028 modified the Banking, Insurance and Pension Law, establishing that the mandatory capital of all financial institutions must be equal to or greater than 10 percent of the risk weighted assets and contingent credits which corresponds to the sum of: the mandatory capital requirement for market risk multiplied by 10, the mandatory capital requirement for operational risk multiplied by 10, and the credit risk weighted assets and contingent credits. Additionally, in July of 2011, SBS issued Resolution N° 8425 - 2011, by which it requires additional mandatory capital for economic cycle, concentration risk, market concentration risk, interest rate risk and others. Peruvian financial entities have five years, with effect from July 2011, to adjust their mandatory capital to the required level.

29.9 Fair values -

a) Financial instruments recorded at fair value and fair values hierarchy -

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value as of December 31, 2020 and 2019, including the hierarchy level into which the fair value measurement is categorized. The amounts are based on the values recognized in the consolidated statement of financial position:

	Note	Level 1 S/000	Level 2 S/000	Level 3 S/000	Total S/000
December 31, 2020					
Financial assets					
Derivative financial instruments:					
Forward exchange contracts		-	74,503	-	74,503
Interest rate swaps		-	478,815	-	478,815
Cross currency swaps		-	28,096	-	28,096
Currency swaps		-	315,202	-	315,202
Options		-	1,176	-	1,176
Derivatives receivable	9(b)	-	897,792	-	897,792
Investments at fair value through profit or loss (trading)	5(a)	295,625	1,872,875	-	2,168,500
Available-for-sale investments:					
Debt securities					
BCRP Certificates of deposit		-	15,364,284	-	15,364,284
Corporate bonds		2,220,958	2,139,572	-	4,360,530
Government treasury bonds		9,299,883	-	-	9,299,883
Negotiable certificates of deposits		-	414,680	-	414,680
Securitization instruments		-	47,613	-	47,613
Other instruments					
Equity instruments:					
Listed securities		97,617	-	-	97,617
Unlisted securities		-	-	6,479	6,479
Subtotal	5(a)	11,618,458	17,966,149	6,479	29,591,086
Total financial assets		11,914,083	20,736,816	6,479	32,657,378
Financial liabilities					
Derivative financial instruments:					
Forward exchange contracts		-	81,414	-	81,414
Interest rate swaps		-	511,198	-	511,198
Cross currency Swaps		-	115,475	-	115,475
Currency swaps		-	171,367	-	171,367
Options		-	2,050	-	2,050
Derivatives payable		-	881,504	-	881,504
Total financial liabilities		-	881,504	-	881,504

	Note	Level 1 S/000	Level 2 S/000	Level 3 S/000	Total S/000
December 31, 2019					
Financial assets					
Derivative financial instruments:					
Forward exchange contracts		-	145,568	-	145,568
Interest rate swaps		-	230,818	-	230,818
Cross currency swaps		-	98,585	-	98,585
Currency swaps		-	354,072	-	354,072
Options		-	1,292	-	1,292
Derivatives receivable	9(b)	-	830,335	-	830,335
Investments at fair value through profit or loss (trading)	5(a)	-	-	-	-
Available-for-sale investments:					
Debt securities					
BCRP Certificates of deposit		-	8,665,271	-	8,665,271
Corporate, leasing and subordinated bonds		813,941	521,466	-	1,335,407
Government treasury bonds		4,112,387	-	-	4,112,387
Financial organizations bonds		-	-	-	-
Other instruments		-	20,209	-	20,209
Equity instruments:					
Listed securities		86,074	-	-	86,074
Unlisted securities		-	-	11,830	11,830
Subtotal	5(a)	5,012,402	9,206,946	11,830	14,231,178
Total financial assets		5,012,402	10,037,281	11,830	15,061,513
Financial liabilities					
Derivative financial instruments:					
Forward exchange contracts		-	109,110	-	109,110
Interest rate swaps		-	314,646	-	314,646
Cross currency Swaps		-	54,775	-	54,775
Currency swaps		-	308,970	-	308,970
Options		-	892	-	892
		-	788,393	-	788,393
Total financial liabilities		-	788,393	-	788,393

Financial instruments included in the Level 1 category are those that are measured on the basis of quotations obtained in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and said prices represent actual and regularly occurring market transactions on an arm’s length basis.

Financial instruments included in the Level 2 category are measured on the basis of observed market factors. This category includes instruments valued using quoted prices for similar instruments, either in active or less active markets and other valuation techniques (models) where all significant inputs are directly or indirectly observable based on market data.

The financial instruments included in Level 3 are measured using valuation techniques (internal models), based on assumptions that are not supported by prices of observable transactions on the market for the same instrument, nor based on available market data.

Following is a description of how fair value is determined for the Bank and its Subsidiaries financial instruments where valuation techniques were used with inputs based on observable market data which incorporate the estimates of the Bank and its Subsidiaries, on the assumptions that market participants would use for measuring these financial instruments:

- Valuation of derivate financial instruments -

  Interest rate swaps, currency swaps and forward exchange contracts are evaluated by using valuation techniques where inputs are based on observable market data. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs, including the credit quality of counterparties, foreign exchange, forward rates and interest rate curves. Options are valued using well-known, widely accepted valuation models.

  A credit value adjustment (CVA) is applied to the exposure of the “Over-The-Counter” derivatives in order to consider the risk of default of the counterparties when the fair value of the derivatives is measured. The effect of this adjustment is measured in the income statement. The CVA is a cost at market prices of protection required to hedge the credit risk of the counterparties in this type of portfolio of derivatives. The CVA is calculated by multiplying the probability of default (PD), the likelihood of given deterioration (LGD) and the expected exposure (EE) at the date of impairment.

- Valuation of debt securities available for sale included in Level 2 -

  Valuation of BCRP certificates of deposit, corporate, leasing, subordinated bonds and Government treasury bonds are estimated calculating their Net Present Values (NPV) through discounted cash flows, using appropriate and relevant zero coupon rate curves to discount cash flows in the respective currency and considering observable current market transactions.

  BCRP deposit certificates (CD BCRP) are securities issued at a discount, in order to regulate the liquidity of the financial system. They are placed through public auction or direct placement, are freely negotiable by their holders in the Peruvian secondary market and can be used as collateral in Securities Reporting Operations with the BCRP.

  Other debt instruments are evaluated using valuation techniques based on assumptions supported by prices from observable current market transactions, obtained via pricing services. Nevertheless, when prices have not been determined in an active market, fair values are based on broker quotes and assets that are valued using models whereby the majority of assumptions are market observable.

b) Financial instruments not measured at fair value -

Set out below is the disclosure of the comparison between the carrying amounts and fair values of the financial instruments, which are not measured at fair value, presented in the consolidated statement of financial position by level of the fair value hierarchy:

	As of December 31, 2020					As of December 31, 2019				
	Level 1	Level 2	Level 3	Fair value	Book value	Level 1	Level 2	Level 3	Fair value	Book value
	S/000	S/000	S/000	S/000	S/000	S/000	S/000	S/000	S/000	S/000
Assets										
Available funds	-	34,365,007	-	34,365,007	34,365,007	-	26,709,946	-	26,709,946	26,709,946
Interbank funds	-	28,968	-	28,968	28,968	-	101,979	-	101,979	101,979
Held-to-maturity investments	5,438,925	93,595	-	5,532,520	4,934,031	3,772,509	103,010	-	3,875,519	3,456,144
Loans, net	-	117,381,370	-	117,381,370	117,381,370	-	100,336,130	-	100,336,130	100,336,130
Other assets	-	863,128	-	863,128	863,128	-	943,159	-	943,159	943,159
Total	5,438,925	152,732,068	-	158,170,993	157,572,504	3,772,509	128,194,224	-	131,966,733	131,547,358
Liabilities										
Deposits and obligations	-	126,971,955	-	126,971,955	126,971,955	-	99,433,161	-	99,433,161	99,433,161
Interbank funds	-	-	-	-	-	-	204,986	-	204,986	204,986
Payables from repurchase agreements	-	26,267,587	-	26,267,587	26,267,587	-	5,803,336	-	5,803,336	5,803,336
Due to banks, correspondents and other entities	-	6,157,370	-	6,157,370	5,843,676	-	8,640,534	-	8,640,534	8,660,298
Bonds and subordinated Notes issued	-	14,548,616	-	14,548,616	13,811,673	-	14,793,651	-	14,793,651	14,312,926
Other liabilities	-	1,787,913	-	1,787,913	1,787,913	-	1,636,232	-	1,636,232	1,636,232
Total	-	175,733,441	-	175,733,441	174,682,804	-	130,511,900	-	130,511,900	130,050,939

The methodologies and assumptions used to determine fair values depend on the terms and risk characteristics of the various financial instruments indicated previously and include the following:

(i) Assets for which fair values approximate their carrying value - For financial assets and financial liabilities that are liquid or have a short term maturity (less than three months), it is assumed that the carrying amounts are similar to their fair values. This assumption is also applied to demand deposits, savings accounts without a specific maturity and variable rate financial instruments

(ii) Financial instruments at fixed rate - The fair value of the financial liabilities at fixed rate and at amortized cost is determined by comparing the market interest rate at the time of their initial recognition to the current market rates related to similar financial instruments. In the case of listed debt, the fair value is determined on the basis of the quoted market prices. When quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity. The fair value of the loan portfolio and deposits and obligation, according to SBS Multiple Official Letter N°1575-2014, corresponds to its book value.

30 EVENTS AFTER THE REPORTING PERIOD

The subsidiary Mibanco, Banco de la Microempresa S.A. agreed, at its General Shareholders' Meeting held on February 4, 2021, to reduce the Capital Stock and Additional Capital for a total of S/400.0 million, to constitute voluntary provisions in accordance with the provisions of the Multiple Official Letter SBS No. 42138-2020 issued by the SBS in December 2020. This reduction is subject to the approval of the SBS, which is pending to date. As soon as this transaction is approved and registered in Mibanco, the BCP will reduce its equity in the proportion proportional to its participation.