BANCO DE CREDITO DEL PERU S.A. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2020 AND DECEMBER 31, 2019 AND FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020 AND 2019

BANCO DE CREDITO DEL PERU S.A. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2020 AND DECEMBER 31, 2019 AND FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020 AND 2019

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S/ = Sol
US$ = American Dollar

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Stockholders of Banco de Crédito del Perú S.A. and its subsidiaries

November 27, 2020

We have reviewed the accompanying interim condensed consolidated statement of financial position of **Banco de Crédito del Perú S.A. and subsidiaries** as of September 30, 2020 and the related interim condensed consolidated statement of income, comprehensive income, changes in shareholder´s equity and cash flows for the nine-month period ended September 30, 2020 and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with Generally Accepted Accounting Principles in Peru applicable for Financial Institutions. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with Generally Accepted Accounting Principles in Peru applicable for Financial Institutions.

Gaveglio Aparicio y Asociados Sociedad Civil de Responsabilidad Limitada.
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www.pwc.pe

November 27, 2020
Banco de Crédito del Perú S.A. and subsidiaries

Emphasis of matter

We draw attention to Note 3 to the interim condensed 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 financial statements. The actions taken by the Company to mitigate these effects are described in the referred Note 3. Our conclusion is not modified in respect of this matter.

Gaveglio Aparicio y Asociados

Countersigned by

------------------------------------(partner)
Carlos González González
Certified Public Accountant
Registration No.50403

BANCO DE CREDITO DEL PERU S.A. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2020 (UNAUDITED) AND DECEMBER 31, 2019 (AUDITED)

	Note	As of September 30, 2020	As of December 31, 2019
		S/000	S/000
Assets			
Cash and due from banks:	4		
Cash and clearing		4,357,140	4,312,853
Deposits in Peruvian Central Bank		25,953,092	18,367,713
Deposits in local and foreign banks		1,659,583	946,205
Restricted funds		1,579,590	3,068,989
Accrued interest		1,215	14,186
		33,550,620	26,709,946
Interbank funds		-	101,979
Investments:			
At fair value through profit or loss	5(a)	1,874,577	-
Available-for-sale	5(a)	27,501,889	14,231,178
Held-to-maturity	5(i)	4,251,926	3,456,144
		33,628,392	17,687,322
Loans, net	6	117,172,238	100,336,130
Investments in associates		12,926	31,207
Property, furniture and equipment, net		1,209,177	1,287,421
Goodwill	7	276,321	276,321
Other assets, net	7	5,631,334	4,229,619
Total assets		191,481,008	150,659,945
Contingent risks and commitments	14	86,113,503	87,251,254

	Note	As of September 30, 2020	As of December 31, 2019
		S/000	S/000
Liabilities and shareholders' equity			
Deposits and obligations	8	122,600,311	99,433,161
Interbank funds		-	204,986
Payables from repurchase agreements	5(k)	25,869,675	5,803,336
Due to banks, correspondents and other entities	9	6,410,499	8,660,298
Bonds and subordinated notes issued	10	14,081,882	14,312,926
Other liabilities	7	4,000,717	3,219,838
Total liabilities		172,963,084	131,634,545
Shareholders' equity	12		
Attributable to Banco de Crédito del Perú equity holders:			
Capital stock		11,067,387	10,217,387
Legal reserve		3,884,662	3,586,304
Other reserves		2,279,513	1,108,814
Unrealized results		326,616	298,112
Retained earnings		849,190	3,706,594
		18,407,368	18,917,211
Non-controlling interest		110,556	108,189
Total shareholders' equity		18,517,924	19,025,400
Total liabilities and shareholders' equity		191,481,008	150,659,945
Contingent risks and commitments	14	86,113,503	87,251,254

The accompanying notes in pages 9 to 75 are an integral part of these condensed consolidated financial statements.

BANCO DE CREDITO DEL PERU S.A. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020 AND 2019

	Note	For the nine-months ended September 30, 2020	2019
		S/000	S/000
Financial income and expenses			
Financial income	15	7,866,747	8,159,364
Financial expenses	15	(1,930,671)	(2,145,838)
Gross financial margin		5,936,076	6,013,526
Provision for credit losses on loan portfolio	6 (d)	(3,664,214)	(1,470,514)
Recovery of writen-offs loans		100,263	195,425
Provision for credit losses on loan portfolio, net of recoveries		(3,563,951)	(1,275,089)
Net financial margin		2,372,125	4,738,437
Non-financial income			
Banking services commissions, net	16	1,554,562	1,929,178
Net result from derivatives instruments		17,159	17,796
Net gain on sale of securities		119,475	113,539
Net gain on foreign exchange transactions		476,083	539,342
Other non-financial income	17	150,510	218,231
		2,317,789	2,818,086
Operating expenses			
Salaries and employees' benefits		(1,812,764)	(1,912,462)
General and administrative		(1,238,810)	(1,290,635)
Depreciation and amortization		(299,078)	(274,506)
Provision for payment-in-kind and seized assets		(16,158)	-
Taxes and contributions		(127,386)	(144,543)
Other operating expenses	17	(291,207)	(83,149)
		(3,785,403)	(3,705,295)
Net gain from exchange difference		60,046	15,458
Income before income tax from continuing operations		964,557	3,866,686
Income tax	11	(185,988)	(1,034,398)
Net income		778,569	2,832,288
Attributable to:			
Equity holders of Banco de Crédito del Perú		775,848	2,817,861
Non-controlling interests		2,721	14,427
		778,569	2,832,288
Basic and diluted earnings per share (in Soles) from continuing operations		0.0703	0.2772
Weighted average number of ordinary shares for basic earnings		11,067,387	10,217,387

The accompanying notes in pages 9 to 75 are an integral part of these condensed consolidated financial statements

BANCO DE CREDITO DEL PERU S.A. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPRENHENSIVE INCOME (UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020 AND 2019

	Note	For the nine-months ended September 30, 2020	2019
		S/000	S/000
Net income for the period		778,569	2,832,288
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Net gain on available-for-sale investments	12(e)	41,169	320,680
Net movement of cash flow hedges	12(e)	(18,391)	(26,830)
Exchange difference on translation of foreign operations	12(e)	915	22
Income tax	12(e)	5,009	(6,488)
Other comprehensive income (loss) for the period, net of income tax		28,702	287,384
Total comprehensive income for the period, net of income tax		807,271	3,119,672
Attributable to:			
Shareholders' equity of Banco de Crédito del Perú		804,352	3,105,024
Non-controlling interest		2,919	14,648
Comprehensive income		807,271	3,119,672

The accompanying notes in pages 9 to 75 are an integral part of these condensed consolidated financial statements.

BANCO DE CREDITO DEL PERU S.A. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY (UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020 AND 2019

					Unrealized results						
	Number of outstanding shares (in thousands)	Capital stock S/000	Legal reserve S/000	Other reserves S/000	Available-for-sale investments reserve S/000	Cash flow hedges reserve S/000	Translation results S/000	Retained earnings S/000	Total S/000	Non-controlling interests S/000	Total S/000
Balances of January 1, 2019	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 the Nine month period ended September 30,											
Net income	-	-	-	-	-	-	-	2,817,861	2,817,861	14,427	2,832,288
Other comprehensive income	-	-	-	-	306,523	(19,383)	23	-	287,163	221	287,384
Total comprehensive income	-	-	-	-	306,523	(19,383)	23	2,817,861	3,105,024	14,648	3,119,672
Capitalization of income, Note 12(a)	1,447,022	1,447,022	-	-	-	-	-	(1,447,022)	-	-	-
Transfer to legal reserve, Note 12(b)	-	-	510,800	-	-	-	-	(510,800)	-	-	-
Cash dividends, Note 12(f)	-	-	-	-	-	-	-	(2,036,444)	(2,036,444)	(3,427)	(2,039,871)
Others			9	-	-	-	-	2,333	2,342	1	2,343
Balances as of September 30, 2019	10,217,387	10,217,387	3,586,304	1,108,814	320,144	(23,210)	847	2,896,881	18,107,167	110,787	18,217,954
Balances of January 1, 2020	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 the Nine month period ended September 30,											
Net income	-	-	-	-	-	-	-	775,848	775,848	2,721	778,569
Other comprehensive income	-	-	-	-	40,899	(13,315)	920	-	28,504	198	28,702
Total comprehensive income	-	-	-	-	40,899	(13,315)	920	775,848	804,352	2,919	807,271
Capitalization of income, Note 12(a)	850,000	850,000	-	-	-	-	-	(850,000)	-	-	-
Transfer to legal reserve, Note 12(b)	-	-	298,349	1,170,699	-	-	-	(1,469,048)	-	-	-
Cash dividends, Note 12(f)	-	-	-	-	-	-	-	(1,303,739)	(1,303,739)	-	(1,303,739)
Others	-	-	9	-	-	-	-	(10,465)	(10,456)	(552)	(11,008)
Balances as of September 30, 2020	11,067,387	11,067,387	3,884,662	2,279,513	369,201	(44,085)	1,500	849,190	18,407,368	110,556	18,517,924

The accompanying notes in pages 9 to 75 are an integral part of these condensed consolidated financial statements

BANCO DE CREDITO DEL PERU S.A. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020 AND 2019

	Note	For the nine-month period ended September 30, 2020 S/000	2019 S/000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit of the period		778,569	2,832,288
Adjustments to reconcile net profit to net cash provided by operating activities:			
Provision for credit losses on loan portfolio	6(d)	3,664,214	1,470,513
Depreciation and amortization		299,078	274,506
Deferred income tax	11	(621,548)	38,931
Net gain on securities		(119,475)	(113,539)
Net gain on trading derivatives instruments		(17,159)	(17,796)
Expense for share-based compensation plan		36,250	39,025
Provision for seized assets		16,158	6,352
Provision for uncollectable receivables	17	6,361	648
Net profit from sale of seized and recovered assets	17	70	(127)
Provisions for litigation, lawsuits and other contingencies	17	10,251	4,744
Net income for sales of property, furniture and equipment	17	(9,804)	(14,053)
Variation in bonds fair value		19,596	21,839
Amortization of bond issuance expenses		(77,767)	(84,990)
Net gain from sale of written off portfolio	17	(33,564)	(98,614)
Net (increase) decrease in assets			
Loans		(17,876,020)	(2,428,837)
Investment at fair value through profit or loss		(1,812,658)	(109,170)
Investment available-for-sale		(12,900,092)	(261,321)
Investments held-to-maturity		(148,626)	9,614
Other assets, net		1,175,773	(321,768)
Sale of written off portfolio		34,649	98,614
Net increase (decrease) of liabilities			
Deposits and obligations		19,513,477	2,951,700
Payables for repurchase agreements		20,066,339	(1,448,328)
Due to banks, correspondent and financial institutions and interbank funds		(2,760,858)	128,535
Bonds and notes issued		(4,062,141)	1,891,702
Other liabilities		1,416,932	1,061,697
Income tax paid		(787,492)	(797,649)
Net cash flows from operating activities		5,810,513	5,134,516
NET CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, furniture and equipment		(35,802)	(87,648)
Revenue from sale of property, furniture and equipment		22,781	19,679
Purchase of intangibles		(280,008)	(201,572)
Revenue from sales and reimbursement of investments held-to-maturity		1,091,568	542,359
Purchase of investments held-to-maturity		(1,730,990)	-
Net cash flows from investing activities		(932,451)	272,818
NET CASH FLOWS FROM FINANCING ACTIVITIES			
Bonds and subordinated notes issued		3,004,601	(88,009)
Dividends paid		(1,303,739)	(1,504,119)
Net cash flows from financing activities		1,700,862	(1,592,128)
Net increase in cash and cash equivalents before the effect of variations in exchange rate		6,578,924	3,815,206
Effect of changes in exchange rate of cash and cash equivalents		1,751,149	44,025
Cash and cash equivalents at the beginning of period		23,640,957	19,901,542
Cash and cash equivalents at the end of period		31,971,030	23,760,773

Additional information regarding cash flow

		2020	2019
Interest received		8,082,292	8,214,588
Interest paid		(2,094,381)	(2,127,291)

The accompanying notes in pages 9 to 75 are an integral part of these condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) (CONTINUED)
RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020 AND 2019

		Changes that generate cash flows		Changes that do not generate cash flows			
For the nine-month period ended September 30, 2020	**As of January 1, 2020**	**New issues**	**Amortization of principal**	**Exchange difference**	**Changes in fair value**	**Others**	**As of September 30, 2020**
	S/000	**S/000**	**S/000**	**S/000**	**S/000**	**S/000**	**S/000**
Subordinated bonds:							
Amortized cost	4,088,371	3,004,601	-	336,370	(2,538,420)	(93,487)	4,797,435
	4,088,371	3,004,601	-	336,370	(2,538,420)	(93,487)	4,797,435

		Changes that generate cash flows		Changes that do not generate cash flows			
For the nine-month period ended September 30, 2019	**As of January 1, 2019**	**New issues**	**Amortization of principal**	**Exchange difference**	**Changes in fair value**	**Others**	**As of September 30, 2019**
	S/000	**S/000**	**S/000**	**S/000**	**S/000**	**S/000**	**S/000**
Subordinated bonds:							
Amortized cost	5,120,019	-	(88,009)	14,479	-	8,082	5,054,571
	5,120,019	-	(88,009)	14,479	-	8,082	5,054,571

The accompanying notes in pages 9 to 75 are an integral part of these condensed consolidated financial statements.

BANCO DE CREDITO DEL PERU S.A. AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2020 AND DECEMBER 31, 2019 AND FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020 AND 2019

1 GENERAL INFORMATION

Banco de Crédito del Perú (hereinafter “the Bank” or “BCP”) was incorporated in 1889 and is a subsidiary of Credicorp Ltd. (a holding incorporated in Bermuda in 1995), which as of September 30, 2020 and December 31, 2019 owns directly and indirectly 97.71 percent of its capital stock respectively.

The Bank’s registered office is at Calle Centenario N°156, La Molina, Lima, Perú and whose 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”, is authorized by the Superintendencia de Banca, Seguros y AFP - SBS (Peruvian Banking and Insurance Authority, hereinafter “SBS” for its Spanish acronym) to operate as a universal bank, in accordance with prevailing Peruvian legislation. BCP and its subsidiaries are principally focused on commercial and consumer loans, credit facilities, deposits, current accounts and credit cards. The majority of the banking business is carried out through BCP and Mibanco in Peru.

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 period between January 1 and September 30, 2020, none of these contributions have been made.

The accompanying interim condensed consolidated financial statements include the interim financial statements of BCP and Subsidiaries in which it has control. The main information of the Bank and of Subsidiaries, which are included in the consolidated financial statements as of September 30, 2020 (unaudited) and December 31, 2019 (audited) and for the nine-month period ended September 30, 2020 and 2019 (unaudited), before eliminations for consolidation purposes, are as follows:

Entity	Activity and country	Percentage of participation		Assets		Liabilities		Equity		Net profit (loss)	
		September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019	September 30, 2020	September 30, 2019
		%	%	S/000	S/000	S/000	S/000	S/000	S/000	S/000	S/000
Banco de Crédito del Perú	Banking, Peru	-	-	179,899,789	140,807,819	161,555,877	121,974,316	18,343,912	18,833,503	785,692	2,809,416
Mibanco, Banco de la Microempresa S.A.	Micro-credits, Peru	94.93	94.93	14,644,302	13,146,041	12,601,487	11,181,158	2,042,816	1,964,883	73,928	286,349
Solucion Empresa Administradora Hipotecaria S.A.	Mortgage loans, Peru	100.00	100.00	140,593	181,841	91,696	111,977	48,897	69,864	1,339	4,272
BCP Emisiones LATAM 1 S.A.	Investments, Chile	50.39	50.39	491	643	537	612	(46)	31	(76)	(43)

The consolidated financial statements as of December 31, 2019 and for the year then ended were approved by the General Shareholders' Meeting held on April 3, 2020. The interim condensed consolidated financial statements as of September 30, 2020 and for the nine-month period ended September 30, 2020 have been approved by Management and the Board of Directors on October 28, 2020, except the note on subsequent events, which has been approved by Management on the date of issuance of the financial statements.

These interim condensed consolidated financial statements have been reviewed, not audited.

2 THE BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

a) These interim condensed consolidated financial statements for the nine-month period ended September 30, 2020 have been prepared in accordance with the regulations established by the Superintendencia de Banca, Seguros y AFP (hereinafter "SBS" for its Spanish acronym) in force in Peru. The SBS regulation regarding the notes to the interim condensed financial statements follows IAS 34 "Interim Financial Reporting". It should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared with the regulations established by the SBS.

   The accounting policies adopted are consistent with those of the previous financial year. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

b) Bank's Management has used certain estimates and assumptions for the preparation of the interim condensed consolidated financial statements, such as the computation of the allowance for loan losses, the valuation of investments, the estimated useful life and recoverable amount of property, furniture and equipment and intangible assets, the provision for seized assets, the valuation of the brand name, goodwill and client relationship, the valuation of derivative financial instruments and share-based payments; therefore, the final results could differ from the amounts recorded by the Bank and Subsidiaries.

   In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

   Accounting practices applied by the Bank that conform to generally accepted accounting principles in Peru for financial institutions, may differ in certain respects to generally accepted accounting principles in other countries.

c) International Financial Reporting Standards (IFRS) -

   - IFRS 9, "Financial Instruments": The complete version of IFRS 9 was issued in July 2014. It replaces the guide of IAS 39 which dealt with the classification and measurement of financial instruments. This standard is effective for annual periods beginning on or after January 1, 2018. Among other differences with respect to the accounting regulations established by the SBS IFRS 9, it is important to mention that IFRS 9 considers an "expected losses" approach for estimating the allowance for credit losses, while the SBS regulations considers an "incurred losses" approach. 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".

   - IFRS 15, "Revenue from Contracts with Customers": This replaces IAS 18 "Revenue" and IAS 11 "Construction Contracts" and the corresponding interpretations. This new standard is based on the principle that revenue is recognized when the control of a good or service is transferred to a client, so that the notion of control replaces the existing notion of risks and benefits. According to Resolution N°005-2017-EF/30, IFRS 15 was become effective as from January 1, 2019. This standard is not adopted by SBS.

   - IFRS 16, "Leases": This replaces IAS 17 "Leases" and IFRIC 4, "Determining whether an arrangement contains a lease" and other related interpretations. IFRS 16, "Leases" will have substantial impact on lessees, since it will result in the recognition of almost all of their leases in the statement of financial position. This standard was become effective for annual periods beginning on or after January 1, 2019. This standard is not adopted by SBS.

The IFRS detailed above only apply in a supplementary manner to the accounting regulations established by the SBS, unless the SBS adopts them or takes action in future through the amendment of the Accounting Manual for entities of the financial system in Peru or the issue of specific norms.

The Peruvian Regulatory Accounting Council, through Resolution N°003-2019-EF/30 issued on September 19, 2019, made official the application of IFRIC 23 “Uncertainty over Income Tax Treatments”, effective for annual periods which began on January 1, 2019.

This interpretation clarifies how to apply the recognition and measurement requirements of IAS 12 when there is uncertainty regarding income tax treatments. In this circumstance, an entity will recognize and measure its deferred or current tax assets or liabilities by applying the requirements of IAS 12 on the basis of tax gain (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined by applying this interpretation.

In this regard, the Company, through the corresponding areas, is making improvements in its processes in order to comply with this interpretation of the standard in fiscal year 2020.

3 SIGNIFICANT TRANSACTIONS UNTIL THE THIRD QUARTER

On past March 16 the Peruvian Government enacted Urgency Decree No.026-2020 and Supreme Decree No.044-2020-PCM, which set forth exceptional and temporary measures to cope with the spread of COVID-19 in Peru, including a National Emergency for a period of 15 calendar days, but was extended on several occasions and currently the government has decreed a targeted quarantine until December 07, 2020. Throughout the third quarter of 2020 the government decreed targeted quarantines which have been gradually lifted. Importantly, even in regions were the quarantines were lifted, social mobility restrictions continued throughout weekdays. The latest rulings state that mobility is prohibited from 11:00pm until 4:00am from Monday to Sunday. Currently, the national emergency state is, by decree, expected to remain until December 7, 2020.

Likewise, according to the Government's economic plan, Phase 2 of economic activation began in June with the start of operations of some economic sectors that comply with the biosafety measures and protocols required by the Government. Even though the Peruvian economy has one of the strongest macroeconomic fundamentals among emerging markets, the quality of the health system in Peru is below the region’s average. Phase 3 of economic reactivation started on July was gradually implemented throughout the third quarter. Lastly, Phase 4 started on October after initially being delayed.

As a result of the general lockdown, which limited economic activity, GDP fell 30.2 percent year-over-year in the second quarter of 2020, the greatest fall within the Latin American region. Specifically, the contraction of private spending (consumption and investment) amid the general lockdown explained 85.0 percent of GDP contraction in the second quarter of 2020. Nonetheless, since the worst points during April, several indicators show a notable recovery during the third quarter of 2020, which has translated into lower levels of economic contraction. As such, economic activity fell 9.8 percent y/y in August after falling 11.7 percent y/y in July and 18.1 percent y/y in June. The most recent economic activity indicators show that the recovery continues in Sep-20:

i.Electricity demand fell 2.0 percent y/y (Aug-20: (3.0) percent).
ii.Total cement dispatchment increased 10.0 percent y/y (Aug-20: (0.3) percent); and
iii.Public investment from the general government contracted 5.0 percent y/y in real terms (Aug-20: (25.0) percent).

In response to the major sanitary and economic shock from COVID-19, the Ministry of Finance, the Central Bank and the Congress have announced and are implementing ample package of measures to mitigate and stimulate the economy for the equivalent of approximately 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. These measures which continue to be implemented would enable a strong recovery of economic activity in the quarters ahead.

In particular, the government is supporting 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/30.0 million and later, through Legislative Decree N°1485, the amount was increased by an additional S/30,000.0 million, reaching the amount of S/60,000.0 million, equivalent to 8.0 percent of GDP (PBI, by its Spanish acronym).

  The amount of credit in soles to be disbursed and the individual guarantee will depend on the sales volume of each company. The maximum amount of guaranteed credits to be granted will depend on three months of average monthly sales in 2019, according to the Tax Administration of Peru (SUNAT, by its Spanish acronym). 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 will 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 Spanish acronym) will grant 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 0.50 percent and include a grace period of twelve months without payment of interest or principal.

  As of October 20th, as part of the second phase of the program, repurchase credit agreements with the Guarantee of the National Government were issued for S/ 25.3 billion, at an average interest rate of 1.73%.

- The Enterprise Support Fund (FAE, by its Spanish acronym) program enables banks and microfinance entities to provide Small and Micro businesses loans for up to S/4 billion with government guarantee coverage levels between 90%-98%. This amount represents about 9% of the loan portfolio for SMEs 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 has lowered its reference rate 200 basis points to 0.3 percent, a historic minimum, and has provided liquidity for six and twelve months through credit agreement since the beginning of March. BCRP has also implemented measures to mitigate exchange rate volatility. Additionally, the SBS has authorized credit extensions for up to six months with no effect on client credit ratings.

The COVID-19 pandemic has caused disruptions in the world economy, which, in turn, could disrupt the business of both Banco de Crédito and subsidiaries and its customers. Due to the travel restrictions, closed international borders and prolonged lockdown periods decreed by governments around the world to manage the COVID-19 outbreak, Banco de Crédito and subsidiaries business may be affected.

In response to the National State of Emergency, the SBS has adopted various exception measures through which it regulates the conditions for providing credit solutions to clients such as rescheduling, Reactiva Program, and FAE MYPE. Likewise, it establishes special treatments for the recognition of interest, days of delay calculation (suspension), accounting classification of loans, among others.

Banco de Crédito and subsidiaries is contributing to reactivation on four fronts:

1) Employees, by seeking to protect the health of thousands of workers by providing optimum working conditions,

2) Clients, by offering facilities including debt reprogramming (the most vulnerable segments are: Mibanco and within BCP stand-alone SME-Pyme and individuals, where debt reprogramming rates reached 32.1 percent, 32.6 percent and 51.1 percent respectively at the end of September 2020); elimination of some banking fees for transactions conducted by individuals; and participating in Reactiva Perú program, where we disbursed approximately the 47.3 percent of the program,

3) Business Continuity, implementing contingency plans to ensure operating continuity and to maintain our solvency and liquidity, and

4) Communities, by making donations and developing programs to help the most vulnerable populations. It is important to note that the progress we have made through our transformation efforts has positioned us well to serve the accelerated demand for digital services that has been generated by the sanitary emergency.

The impact of the COVID-19 pandemic may adversely affect the credit risk of Banco de Crédito and subsidiaries's investment portfolio and wholesale loan portfolio. In particular, the challenges posed by COVID-19, including reduced business volumes, temporary closures and insufficient liquidity may have a higher impact on clients engaging in certain economic activities such as retail, automobile sales, residential real estate, poultry farming, air travel, tourism, microfinance, transportation and restaurants. As a result, the company expects a downgrade in the financial condition of some of our borrowers, which, in turn, could materially affect Banco de Crédito and subsidiaries's business and result of operations.

Regarding financial markets, asset prices rebounded quickly from the steep fall during March and April. The global equity index MSCI closed stable the third quarter of 2020 in terms of YTD but increased almost 50.0 percent from its March lows, with equity markets in the United States reaching historical highs at the beginning of September 2020. Unprecedented actions from governments and central banks, with the adoption of unconventional and liquidity measures like asset purchase programs, have eased financial conditions and pushed asset prices higher. This has occurred despite high levels of uncertainty, a gloomy economic outlook, and significant downside risks. This decoupling between financial markets and the real economy could represent an important source of vulnerability. The above-mentioned recovery of financial markets was also observed in local markets. As such, Sovereign 2029's yield decreased from 5.8 percent in mid-March to 3.8 percent by end-June. Furthermore, the yield spread between Sovereign 2029 and the 10-year US Treasury also narrowed from 461 basic points in mid-March to 313 basic points by the end of June. During the third quarter of 2020 local assets continued to post gains. As such, Sovereign 2029's yield decreased another 28 basis points during the quarter and stood at 3.5 percent by end-September. In additional, the yield spread between Sovereign 2029 and the 10-year US Treasury narrowed another 30 basis points, and it stood at 283 basis points by end-September

The impact of the COVID-19 pandemic may adversely affect the credit risk of Banco de Crédito and subsidiaries's retail and microfinance loan portfolio, due to its effect in SME and individual clients. SME clients may be adversely impacted by the lockdown period and the resulting inability to perform operations and generate cash flows. After the lockdown period, SMEs may also face a period of reduced level of operations because of the restrictions that may be imposed on the reopening of different economic sectors. Individuals may be adversely impacted by an increase of the unemployment rate and the reduction of business operations. As a result, the company expects an adverse effect on the credit quality of its loan portfolio and an increase of the cost of risk. Likewise, some risk policies in Wholesale and Retail Banking have been adjusted taking into consideration the potential impact of COVID-19 on each portfolio.

The unprecedented shocks to the economy and the high level of uncertainty regarding its recovery, as a result of COVID-19 may increase market risk by causing fluctuations in market prices and loss of liquidity of financial instruments, which may have an adverse impact on our investment portfolio. Likewise, in order to face this uncertain economic scenario, Banco de Crédito and subsidiaries's Management took various measures to reduce losses, thereby improving the results obtained in the second quarter of 2020 compared to the first quarter of 2020; however, despite having considerably increased the investment portfolio and that the market showed improvements in some indicators, the profitability generated in the investment portfolio categories was lower than the profitability obtained as of December 31, 2019.

Prolonged economic stress and market disruptions as a result of COVID-19 may generate pressure on our liquidity management. This increase in liquidity risk may result in limited and/or costly access to financing sources, inability to access capital markets, an increase in draws of outstanding credit lines and a change in the expected level of cash inflow as consequence of large-scale loan reprogramming. Nonetheless, this risk has been considerably mitigated amid the measures implemented by the Central Bank in order to provide liquidity through the Reactiva Peru program.

In terms of non-financial risks, given the high rate of contagion of the disease, a significant number of our employees may acquire the virus, which may affect our ability to continue operating. Additionally, due to prolonged lockdowns, some of our critical suppliers may stop providing us with certain key services for business continuity. Finally, since we have adopted a remote work approach, we may be exposed to a greater risk of cybersecurity threats because many of our employees now connect to Banco de Crédito and subsidiaries's systems from outside our controlled technological environments.

The full extent of the effect on Banco de Crédito and subsidiaries's operating and financial results is still difficult to predict due to the uncertainty about the duration and concentration of the outbreak, but the COVID-19 pandemic, or any other health crisis beyond our control, could have a material adverse effect on our business, financial condition and results of operations.

The interim condensed 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 financial statements. Those accounting estimates, in the opinion of management, are reasonable in the circumstances.

4 CASH AND DUE FROM BANKS

Cash and due from banks can be described as follows:

Cash and cash equivalents -

The cash and cash equivalents presents in the interim condensed consolidated statements of cash flows correspond to "cash and due from banks" of the interim condensed consolidated statements of financial position, which includes deposits with less than three-month maturity from the date of acquisition, including cash in hand, BCRP time deposits, funds in central banks and overnights deposits, excluding restricted funds.

	As of September 30, 2020 S/000	As of December 31, 2019 S/000
Cash and clearing (a)	4,357,140	4,312,853
Deposits in Peruvian Central Bank (a)	25,953,092	18,367,713
Deposits in local and foreign banks (b)	1,659,583	946,205
Accrued interest	1,215	14,186
Total cash and cash equivalent	31,971,030	23,640,957
Restricted funds (c)	1,579,590	3,068,989
Total cash and due from banks	33,550,620	26,709,946

(a) Cash and clearing and Deposits in Peruvian Central Bank -

Those accounts include mandatory reserve that the Bank and Subsidiaries must maintain for their obligations with the public and are within the limits established by prevailing legislation.
The table below presents the composition of these reserves:

	As of September 30, 2020 S/000	As of December 31, 2019 S/000
Mandatory reserve:		
Deposits in Peruvian Central Bank	15,773,982	13,727,284
Cash in the vaults of the Bank and Subsidiaries	4,005,807	4,132,347
Subtotal related to mandatory reserve	19,779,789	17,859,631
Non mandatory reserve:		
Overnight deposits	5,698,110	4,640,429
Time deposits in Peruvian Central Bank	4,481,000	-
Cash	351,333	180,506
Subtotal related to non-mandatory reserve	10,530,443	4,820,935
Total	30,310,232	22,680,566

As of September 30, 2020, cash and due from banks subject to mandatory reserve in Peruvian currency and foreign currency are affected at an implicit rate of 4.00 percent and 34.77 percent, respectively, of the total obligations subject to reserve, as required by the BCRP (5.01 percent and 35.06 percent, respectively, as of December 31, 2019).

The reserve funds, which represent the minimum mandatory, do not earn interest; however, the mandatory reserve deposited in BCRP in excess of minimum mandatory, earns interests at a nominal rate established by BCRP.

As of September 30, 2020, the available funds include “overnight” operations with the BCRP for US$1,450.0 million, equivalent to S/5,215.7 million, at a nominal annual rate of 0.08 percent and S/482.5 million at a nominal annual rate of 0.15 percent, with maturity at 1 day (US$1,291.64 million, equivalent to S/4,280.4, in “overnight” operations with the BCRP at a nominal rate of 1.57 percent with maturity at 2 days, as of December 31, 2019).

As of September 30, 2020, the available funds include time deposits with the BCRP amounting to S/4,481.0 million at nominal of 0.25 percent, with maturities between 1 day and 7 days.

(b) Deposits in local and foreign banks -

Deposits in local and foreign banks correspond principally to balances in soles and U.S. dollars. All deposits are unrestricted and earn interest at market rates. As of September 30, 2020, and December 31, 2019, the Bank and Subsidiaries do not have significant deposits in any specific financial institution.

(c) Restricted funds -

The Bank and Subsidiaries maintain restricted funds related to:

	As of September 30, 2020	**As of December 31, 2019**
	S/000	**S/000**
Repurchase agreements with BCRP (*)	1,192,210	2,798,695
Repurchase agreements with other entities	1,816	96,556
Derivative financial instruments	376,652	165,335
Other	8,912	8,403
Total	1,579,590	3,068,989

(*) Corresponds to deposits in dollars maintained in the BCRP which guarantee repurchase agreements amounting to S/1,140.0 million as of September 30, 2020 (S/2,800.4 million as of December 31, 2019), see note 5(j).

5 INVESTMENTS

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

	As of September 30, 2020				As of December 31, 2019			
		Unrealized gross amount				Unrealized gross amount		
	Amortized cost S/000	Gains S/000	Losses S/000	Estimated fair value S/000	Amortized cost S/000	Gains S/000	Losses S/000	Estimated fair value S/000
Investments at fair value through profit or loss (trading) - (b)	-	-	-	1,872,321	-	-	-	-
Accrued interest	-	-	-	2,256	-	-	-	-
Balance of investments at fair value through profit or loss				1,874,577				-
Investments available-for-sale -								
BCR Certificate of deposits (c)	14,392,291	34,379	(13)	14,426,657	8,649,884	15,388	(1)	8,665,271
Sovereign bonds - Republic of Peru (d) (*)	7,542,245	311,236	(26,575)	7,826,906	3,527,534	274,780	-	3,802,314
Corporate and leasing bonds (e)	3,390,405	79,336	(15,011)	3,454,730	1,273,992	48,116	(1,090)	1,321,018
Foreign government bonds (f)	1,044,108	6,021	(7,067)	1,043,062	229,924	1,090	(17)	230,997
Negotiable certificate of deposits (g)	488,414	14,045	-	502,459	-	-	-	-
Listed equity securities - Credicorp Ltd.	98,925	-	-	98,925	86,074	-	-	86,074
Securitization instruments	42,206	2,648	(371)	44,483	18,299	1,910	-	20,209
Unlisted shares	5,059	1,954	-	7,013	10,257	1,573	-	11,830
Investment funds	36	44	(80)	-	36	44	(80)	-
	27,003,689	449,663	(49,117)	27,404,235	13,796,000	342,901	(1,188)	14,137,713
Accrued interest				97,654				93,465
Balance of available-for-sale investments				27,501,889				14,231,178

(b) As of September 30, 2020, the balance mainly includes BCRP certificates of deposits amounting to S/1,606.2 million, Sovereign bonds - Republic of Peru amounting to S/157.6 million and foreign government bonds for S/108.5 million.

(c) As of September 30, 2020, the Bank and subsidiaries maintain 144,411 BCRP certificates of deposits (87,530 BCRP certificates of deposit as of December 31, 2019).

(d) As of September 30, 2020, Sovereign bonds are issued by the Republic of Peru in soles amounting to S/7,780.8 million and in United States dollar amounting to US$12.8 million, equivalent to S/46.1 million (S/3,802.3 million, as of December 31, 2019).

(e) As of September 30, 2020, the corporate and leasing bonds mainly include bonds issued by Peruvian, United States, Colombian and other countries entities accounting for 45.0 percent, 28.1 percent, 10.5 percent and 16.4 percent of the total, respectively (bonds issued by Peruvian, Colombian, United States and others countries accounting for 63.4 percent, 17.1 percent, 8.8 percent and 10.7 percent of the total, respectively, as of December 31, 2019).

(f) As of September 30, 2020, foreign government bonds correspond to US$249.1 million, equivalent to S/895.9 million issued by the Government of United States, US$22.2 million, equivalent to S/79.9 million issued by the Government of Chile, and US$18.7 million, equivalent to S/67.3 million issued by the Government of Colombia (US$51.3 million, equivalent to S/170.0 million issued by the Government of Chile and US$18.4, equivalent to S/61. million issued by the Government of Colombia, as of December 31, 2019).

(g) As of September 30, 2020, the negotiable certificates of deposit for S/502.5 million correspond to certificates issued by the financial systems of Colombia and Chile for approximately S/394.6 million and S/107.9 million, respectively.

(*) As of September 30, 2020, the Bank maintained interest rate swaps (IRS), which were designated as fair value hedges of certain bonds issued at fixed rate in U.S. Dollars by corporate entities for a notional amount of S/624.5 million (IRS designated as fair value hedge of certain bonds issued at fixed rate in U.S. by corporate entities, for notional amounts of S/618.8 million, as of December 31, 2019), see Note 7(b); through said IRS, these bonds were economically converted to variable interest rate.

As of September 30, 2020 the Bank keeps currency swaps (“Cross Currency Swap” or “CCS”), which were designated as hedges of certain corporate bonds for a notional amount of S/461.8 million with similar principal and maturity, see note 7(b); through those CCS, said bonds were economically converted into soles at a fixed rate (swaps designated as hedges of certain corporate bonds for a notional amount of S/107.4 million, as of December 31, 2019).

(h) As of September 30, 2020, and December 31, 2019, the maturities and the annual market rates of the investments available-for-sale are as follows:

	Maturity		Annual market rates											
	As of September 30, 2020	As of December 31, 2019	As of September 30, 2020						As of December 31, 2019					
			S/		US$		Other currency		S/		US$		Other currency	
			Min	Max	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max
			%	%	%	%	%	%	%	%	%	%	%	%
BCRP certificates of deposit	Oct-20/Mar-23	Jan-20/Jul-21	0.25	0.71	-	-	-	-	2.02	2.35	-	-	-	-
Sovereign bonds - Republic of Peru	Jan-23/Aug-40	Aug-24/Aug-40	0.63	5.40	1.32	2.00	-	-	2.97	5.25	-	-	-	-
Corporate and leasing bonds	Nov-20/Apr-36	May-20/Apr-36	0.94	9.40	0.49	10.12	5.34	6.25	6.33	7.90	2.03	7.47	6.45	6.55
Foreign government bonds	Jul-21/Aug-30	Feb-20/Feb-28	-	-	0.66	1.95	-	-	-	-	1.31	2.81	-	-
Negotiable certificate of deposits	Oct-20/Jan-23	-	-	-	0.65	0.65	1.03	3.36	-	-	-	-	-	-
Securitized instruments	Nov-29/May-30	Nov-29	4.86	4.86	1.97	1.97	-	-	-	-	3.08	3.08	-	-

(i) As of September 30, 2020 and December 31, 2019, Management has estimated the fair value of investments at fair value through profit or loss (trading) and available-for-sale using market price quotations available in the market or valuation techniques with inputs of active markets that are observable, either directly or indirectly, if the price was not available, by discounting the expected future cash flows at an interest rate that reflects the risk classification of the financial instrument, see Note 19.6(a).

Available-for-sale investments portfolio increased since the excess liquidity generated by the Reactiva Perú program was used to purchase more profitable low-risk assets. The recovery posted by this portfolio positively contributed to growth in investments. Unrealized gains in this portfolio have recovered to the levels posted in December 2019 and have offset the losses generated by a market depression at the end of the first quarter of 2020 due to the pandemic, see Note 3.

Management has determined that the unrealized losses of available-for-sale investments as of September 30, 2020 and December 2019 are of 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.

(j) Held-to-maturity investments

This item is made up as follows:

	As of September 30, 2020	**As of December 31, 2019**
	S/000	**S/000**
Peruvian sovereign bonds (i)	4,126,644	3,277,710
Certificates of payment on work in progress (ii)	93,668	100,298
	4,220,312	3,378,008
Accrued interest	31,614	78,136
Total	4,251,926	3,456,144

(i) As of September 30, 2020, the fair value of held-to-maturity investments amounts to S/4,545.4 million and has maturities between September 2023 and February 2042 (S/3,694.4 million with maturities between August 2020 and February 2042 as of December 31, 2019). These investments bear interest at an annual effective interest rate between 0.63 and 5.54 percent for bonds issued in soles (2.14 and 5.28 percent for bonds issued in soles as of December 31, 2019).

(ii) As of September 30, 2020, a total of 129 certificates of payment on work in progress ("Reconocimiento Anual de Pago por Adelanto de Obra - CRPAO") were issued by the Government of Peru to finance projects and concessions, this issuance is a mechanism set forth in the concession agreement signed by the Peruvian Government and the Concessionaire that allows the latter to obtain financing to continue with the committed work. Investment in CRPAOs amounted to S/93.7 million with maturities from October 2020 to April 2026, bearing interest at an annual effective rate ranging from 2.62 to 3.72 percent (153 CRPAOs, with a total investment of S/100.3 million with maturities between January 2020 and April 2026, bearing interest at annual effective rates between 3.74 and 4.67 percent at December 31, 2019).

During the third quarter of 2020, the fair value of the portfolio has recovered to levels posted in December 2019 and have reversed the market values generated by the depression at the end of the first quarter of 2020 due to the pandemic, see Note 3.

As of September 30, 2020, Management has determined that unrealized loss on certain held-to-maturity investments are of temporary nature. Accordingly, at said dates, the Bank and its Subsidiaries have recognized no impairment loss on their held-to-maturity investments.

(k) As of September 30, 2020 and December 31, 2019, includes repurchase agreements in which the Bank and Subsidiaries has pledged cash as collateral, see Note 4, available-for-sale investments, see Note 5-a), and held-to-maturity investments. This item is made up as follows:

	As of September 30, 2020			As of December 31, 2019		
	Maturity	Carrying amount S/000	Guarantee	Maturity	Carrying amount S/000	Guarantee
Peruvian Central Bank (BCRP) see note 4(c)	Oct-20 / Mar-23	1,140,000	Cash	Feb-20/Oct-20	2,800,400	Cash
Peruvian Central Bank (BCRP)	Oct-20 / Jul-24	3,874,021	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
Natixis	Aug-28	270,000	Held-to-maturity investments	Aug-20/Aug-28	570,000	Held-to-maturity investments
Nomura International PLC, (i)	-	-	-	Aug-20	265,120	Held-to-maturity investments and Cash
Nomura International PLC, (ii)	-	-	-	Aug-20	231,980	Held-to-maturity investments and Cash
Citigroup Global Markets Limited (iii)	Aug-26	161,865	Available-for-sale investments	Aug-26	149,130	Available-for-sale investments
Citigroup Global Markets Limited	-	-	-	Aug-20	100,000	Held-to-maturity investments
Natixis (iv)	Aug-26	89,925	Available-for-sale investments	Aug-26	82,850	Available-for-sale investments
Peruvian Central Bank (BCRP), Reactiva (v)	May-23/Oct-23	20,242,864	Credits with National Government Guarantee represented in titles and securities		-	
		25,778,675			5,703,567	
Yields		91,000			99,769	
		25,869,675			5,803,336	

As of September 30, 2020, the repurchase agreements are guaranteed with cash in amount of S/1,192.2 million (S/2,798.7 million as of December 31, 2019) and securities (BCRP certificates of deposit, corporate bonds, bonds of multilateral financial institutions, sovereign bonds, Peruvian treasury bonds and Foreign governments bonds) classified as investments available for sale and held to maturity for a fair value of US$1,394.3 million, equivalent to S/5,015.3 million (US$988.6 million, equivalent to S/3,276.2 million as of December 31, 2019).

These repurchase agreements accrued an interest at fixed rate between 0.4 and 4.8 percent and between Libor 6M + 1.68 percent and Libor 6M + 1.90 percent as of September 30, 2020 (between 3.0 and 7.2 percent for repurchase agreements at fixed rate and between Libor 3M+0.8 percent and Libor 6M+1.90 percent for repurchase agreements at variable rate as of December 31, 2019).

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

(i) As of September 30, 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 (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 7(b).

(ii) As of September 30, 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. Through the cross currency swap (CCS), said repurchase agreement was economically converted to soles at a fixed rate, see note 9, (US$70.0 million, equivalent to S/231.9 million, as of December 31, 2019), see note 7 (b).

(iii) As of September 30, 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/161.8 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 7(b).

(iv) As of September 30, 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/89.9 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 7(b).

(v) Through the Credit Reporting Operations, the Bank and its subsidiaries sell securities representing credits guaranteed by National Government to the Peruvian Central Bank (BCRP). The Bank and its subsidiaries receive soles and is obliged to repurchase them on date later. The securities representing Credits with a National Government Guarantee may take the form of a portfolio of securities representing credits or Participation Certificates in trust portfolio of credits guaranteed by the National Government. The BCRP will charge a fixed interest annual rate in soles of 0.5 percent for the operation and will include a grace period of twelve months without payment of interest or principal.

6 LOANS, NET

a) This item is made up as follows:

	As of September 30, 2020 S/000	As of December 31, 2019 S/000
Direct loans		
Loans	103,955,739	81,156,314
Leases	5,868,183	5,978,421
Credit cards	6,001,532	8,371,208
Discounted notes	1,211,701	2,198,449
Factoring receivables	1,560,120	2,015,513
Overdrafts and advances on checking accounts	108,415	152,436
Refinanced loans	1,518,204	1,163,864
Restructured loans	-	124
Total loans to fall due	120,223,894	101,036,329
Past due loans and under court collection	4,002,167	3,163,185
Total gross loans	124,226,061	104,199,514
Add (less)		
Accrued interest from current loans	785,006	751,948
Deferred interest on discounted notes	(283,476)	(87,451)
Allowance for loan losses (d)	(7,555,353)	(4,527,881)
Total direct loans	117,172,238	100,336,130
Indirect loans, Note 14(a)	17,233,923	19,421,696

b) As of September 30, 2020 and December 31, 2019, the distribution of the loan portfolio by segments, according to Resolutions SBS No.11356-2008, is as follows:

	As of September 30, 2020 S/000	As of December 31, 2019 S/000
Non-retail loans		
Corporate	26,399,162	24,668,855
Large-business	22,306,393	17,490,828
Medium-business	24,879,664	16,269,604
Sub total	73,585,219	58,429,287
Retail loans		
Mortgage	17,322,660	17,144,333
Revolving and non-revolving consumer loans	12,966,207	14,438,981
Small-business	16,019,292	11,003,469
Micro-business	4,332,683	3,183,444
Sub total	50,640,842	45,770,227
Total	124,226,061	104,199,514

c) As of September 30, 2020 and December 31 2019, financial entities in Peru must constitute their allowance for loan losses based on the risk classification 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. 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, 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 national State of Emergency, the SBS allowed exceptionally to apply zero-rate credit risk provisions for the loan's portion guaranteed by Reactiva Perú program. Nevertheless, for the non-guaranteed portion, the original credit risk provision must be used according to the debtor's credit rating, see Note 3.

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

	2020 S/000	2019 S/000
Balance as of January 1	4,847,449	4,791,396
Provision, net of recoveries (*)	3,563,951	1,275,089
Recoveries of written-off loans	100,263	195,425
Loan portfolio written-off	(601,210)	(1,265,490)
Portfolio sale of court collection loans (**)	(30,362)	(143,729)
Exchange difference	87,389	1,609
Condonations and other	(20,199)	(50,909)
Balance as of September 30 (***)	7,947,281	4,803,391
Balance as of December 31, 2019		4,847,449

(*) During 2020, provisions expense has increased in the third quarter due to two facts: i) the Bank has considered actual days of delinquency for the specific provision calculation despite maturity suspension benefits granted by the SBS, and ii) Management decided to establish voluntary provisions for approximately S/1,859.8 million. Due to the greater perceived risk in the economy, since the mandatory social confinement produced the temporary closure of some sectors and that finally affect the income received by companies and workers, using an estimation that brings the total provision closer to the model based on expected credit losses. All the above mentioned as a result of the uncertainty generated by COVID-19 pandemic, see Note 3.

(**) During 2020, a portion of the judicial collection portfolio and the portafolio punished for was sold for S/33.3 million and S/82.8 million and the portafolio respectively, with a value of S/30.6 million and S/0.6 millon respectively. Total income is included in the Consolidated Income Statement under "Other non-financial income" for S/33.5 million.

(***) As of September 30, 2020, the allowance for loan losses includes indirect loans allowance for approximately S/391.9 million (approximately S/319.2 million as of December 31, 2019).

The allowance for indirect loan losses is presented in the “Allowance for indirect loan losses” caption of the interim condensed consolidated statements of financial position, Note 6(a).

In Management’s opinion, the allowance for loan losses recorded as of September 2020 and September 2019 has been established in accordance with SBS regulations in force as of those dates.

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

f) 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.

g) As of September 30, 2020, the Bank maintains a currency swap (CCS) for a nominal amount of ¥5,000.0 million equivalent to S/170.5 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/165.5 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.

h) The following table presents the gross direct loan portfolio as of September 30, 2020 and December 31, 2019 by maturity based on the remaining period to the payment due date:

	As of September 30, 2020	As of December 31, 2019
	S/000	S/000
Outstanding loans -		
Up to 1 year	46,356,673	49,287,254
From 1 to 3 years	39,066,318	24,030,028
From 3 to 5 years	11,486,297	8,662,870
More than 5 years	23,314,606	19,056,178
	120,223,894	101,036,330
Internal overdue loans and under legal collection loans	4,002,167	3,163,184
Total	124,226,061	104,199,514

i) In relation to the diverse areas of the country declared in a state of emergency as a result of rainfall and flooding, due to the natural disaster “Fenómeno el Niño”, which have caused economic losses and difficulties for the debtors of these areas to comply with the timely payment of the credits they maintain in the financial system.

The SBS, through the Multiple Official Letter No.10250-2017 dated March 16, 2017, reported to enable the companies of the financial system to modify the contractual conditions of the various types of credit of retail debtors, without the modification constituting a refinancing, to the extent that the total term does not extend for more than 6 months. In that sense, the Bank and Subsidiaries present as of September 30, 2020, the total of S/384.9 million of credits reprogrammed within the current credits category (S/500.3 million as of December 31, 2019).

j) Due COVID-19 Pandemic effects, BCP and subsidiaries have offered its clients in Retail Banking the opportunity to reschedule their loans for 30 or 90 days without incurring in overdue fees and interest on capital. As of September 2020, the rescheduled portfolio amounts to a total of S/33,984 million.

In the loan portfolio, the most vulnerable segments are: Mibanco and within BCP stand-alone SME-Pyme and individuals, where debt reprogramming rates reached 32%, 33% and 51% respectively at the end of September, see Note 3.

As of September 30, 2020, the distribution of the reschedule loan portfolio by segments, due COVID-19 Pandemic effects, is as follows:

Reschedule loans	BCP	SEAH	MIBANCO
	S/000	S/000	S/000
Non-retail loans			
Corporate	993,563	-	-
Large-business	1,709,808	-	-
Medium-business	6,716,411	-	325,750
Companies in the financial system	450	-	-
Total non-retail loans	9,420,232	-	325,750
Retail loans			
Mortgage	8,055,233	50,953	345,173
Revolving and non-revolving consumer loans	6,356,992	-	412,142
Small-business	2,576,920	-	5,236,250
Micro-business	23,553	-	1,181,003
Total retail loans	17,012,698	50,953	7,174,568
Total reschedule loans	26,432,930	50,953	7,500,318

k) The credits granted as part of the Reactiva Perú program are guaranteed by the Peruvian Government. The total granted through this program as of September 2020 is S/23,888 million.

l) The government, to serve small companies that the Reactiva Perú program does not reach, has established the Business Support Fund for the MYPE (FAE-MYPE) which represents for Mibanco as of September 2020 a total of S/110.6 million and S/274.7 million for FAE-MYPE 1 and FAE-MYPE 2, respectively.

7 GOODWILL, OTHER ASSETS AND OTHER LIABILITIES

These items are made up as follows:

	As of September 30, 2020	As of December 31, 2019
	S/000	S/000
Goodwill		
Mibanco / Edyficar	276,321	276,321
Other assets, net		
Financial instruments		
Accounts receivable, net (a)	1,220,485	859,976
Derivatives receivable (b)	1,178,237	830,335
Operations in process	141,091	83,183
	2,539,813	1,773,494
Non-financial instruments		
Finite live intangible assets, net (c)	1,169,288	1,129,008
Deferred income tax (d)	1,030,144	399,000
Prepaid expenses (e)	812,976	812,343
Realizable, received in payment and seized assets, net	68,616	86,436
Value added tax credit	-	18,837
Other	10,497	10,501
	3,091,521	2,456,125
Total other assets	5,631,334	4,229,619
Other liabilities		
Financial instruments		
Derivatives payable (b)	1,272,216	788,393
Other accounts payable (f)	861,492	343,316
Allowance for indirect loan losses, Note 6(c)	391,928	319,568
Salaries payable	256,483	178,537
Suppliers account payable	201,647	282,225
Employee's legal participations	156,020	241,424
Operations in process (g)	95,850	71,195
Employee's additional participations	45,161	144,974
Share based payments, Note 18	44,371	54,993
	3,325,168	2,424,625
Non-financial instruments		
Provision for sundry risks	290,560	278,370
Taxes payable	137,703	294,966
Deposit insurance fund	49,237	38,568
Other (h)	198,049	183,309
	675,549	795,213
Total other liabilities	4,000,717	3,219,838

(a) As of September 30, 2020, the balance mainly comprises accounts receivable for reverse repurchase agreements and securities lending, sale of goods and services and sale of securities amounting to S/573.7 million, S/61.7 million and S/21.4 million, respectively (reverse repurchase agreements and securities lending, sale of goods and services and receivable for sale of securities, amounting to S/150.0 million, S/33.6 million and 1.2 million, respectively, as of December 31, 2019).

(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, in which the transaction was made, changes.

The table below presents the fair value of the derivative financial instruments, recorded as an asset or a liability, together with their notional amounts. The gross notional amount is the amount of a derivative's underlying asset and is the basis upon which changes in fair value are measured.

	Nota	As of September 30, 2020				As of December 31, 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	Hedged instrument
Derivatives held for trading (i) -										
Forward exchange contracts		123,385	149,763	20,088,923	Between October 2020 and November 2021	145,568	109,112	17,900,245	Between January 2020 y May 2021	-
Interest rate swaps		657,166	789,557	17,940,021	Between October 2020 and December 2031	230,232	299,810	18,192,820	Between January 2020 and December 2031	-
Currency swaps		362,121	219,107	7,797,100	Between October 2020 and January 2033	354,072	308,970	8,085,727	Between January 2020 and January 2033	-
Foreign currency options		2,531	9,647	1,406,315	Between October 2020 and June 2021	1,292	892	246,989	Between January 2020 and December 2020	-
		1,145,203	1,168,074	47,232,359		731,164	718,784	44,425,781		
Derivatives designated as cash flow hedging (ii) -										
Interest rate swaps (IRS)	10(a)(xi)	-	2,932	251,790	March 2021	-	2,555	231,980	March 2021	Bonds issued
Interest rate swaps (IRS)	10(a)(xiii)	-	2,257	107,910	March 2022	-	-	-		Bonds issued
Interest rate swaps (IRS)	9(b)(i)	-	1,207	539,550	Between November 2020 and March 2021	102	1,111	662,800	Between May 2020 and November 2020	Due to banks
Interest rate swaps (IRS)	9(b)(v)	-	-	-		-	1,045	629,660	Between May 2020 and June 2020	Due to banks
Interest rate swaps (IRS)	9(b)(iv)	-	-	-		315	839	994,200	Between May 2020 and August 2020	Due to banks
Interest rate swaps (IRS)	9(b)(ii)	-	540	356,103	Between November 2020 and March 2021	55	715	984,258	Between February 2020 and November 2020	Due to banks
Interest rate swaps (IRS)	9(b)(iii)	-	101	179,850	March 2021	114	-	331,400	August 2020	Due to banks
Interest rate swaps (IRS)	9(b)(vi)	-	-	-		-	447	331,400	June 2020	Due to banks
Cross currency swaps (CCS)	5(*)	26,662	582	74,626	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)	5(*)	-	23,765	281,187	Between October 2020 and January 2023	-	-	-		Available for sale investments
Cross currency swaps (CCS)	5(*)	-	6,656	105,975	Between November 2020 and February 2022	-	-	-		Available for sale investments
Cross currency swaps (CCS)	9(b)(vii)	-	-	-		7,626	-	331,400	January 2020	Due to banks
Cross currency swaps (CCS)	5(k)(ii)	-	-	-		30,741	-	231,980	August 2020	Repurchase agreements
Cross currency swaps (CCS)	5(k)(iv)	-	10,965	89,925	August 2026	-	12,235	82,850	August 2026	Repurchase agreements
Cross currency swaps (CCS)	5(k)(iii)	-	27,460	161,865	August 2026	-	30,352	149,130	August 2026	Repurchase agreements
Cross currency swaps (CCS)	10(a)(viii)	5,145	-	179,850	January 2025	-	8,197	165,700	January 2025	Bonds issued
Cross currency swaps (CCS)	10(a)(xii)-6(g)	1,227	-	170,460	August 2021	-	2,822	152,545	August 2021	Bonds issued/placement
Cross currency swaps and interest interest rate swaps (CCS and IRS)	5(k)(i)	-	-	-		39,415	-	265,120	August 2020	Repurchase agreements
Fair value hedge -										
Interest rate swaps (IRS) 5(*)		-	27,677	624,511	Between March 2022 and May 2023	-	8,124	618,789	Between June 2021 and May 2023	Available for sale investments
		33,034	104,142	3,123,602		99,171	69,609	6,270,637		
		1,178,237	1,272,216	50,355,961		830,335	788,393	50,696,418		

As of September 30, 2020, the variation is mainly due to the fluctuation of market variables such as interest rates and exchange rate, which affect the derivatives valuation.

(i) Derivatives held for trading are mainly negotiated to satisfy clients' needs. The Bank and Subsidiaries may also take positions with the expectation of profiting from favorable movements in prices and rates. Also included under this caption are any derivatives which do not meet SBS hedging requirements.

(ii) The Bank and Subsidiaries are exposed to movements in future interest cash flows on non-trading assets and liabilities which bear interest at variable rates. The Bank and its subsidiaries use derivative financial instruments as cash flow hedges to cover these risks.

(c) As of September 30, 2020, and December 31, 2019 it is mainly composed of intangible in progress, software and developments, brand name and client relationships.

(d) Deferred income tax is mainly generated by allowance for loan losses, unrealized loss on bonds, depreciation of buildings, unrealized gains on investments and the difference in exchange in assets and liabilities, see Note 11.

(e) As of September 30, 2020, the balances corresponds mainly to the payment in favor of Latam Airlines Group S.A. Sucursal Perú for US$175.4 million, equivalent in soles to S/630.9 million (US$202.0 million, equivalent in soles to S/669.4 million, as of December 31, 2019) on account of Latam Pass Miles that the Bank must acquire from January 2020. This advance granted is being applied with the miles awards granted to our clients for the use of the Latam Pass credit cards. Customers will then be able to use those miles directly with Latam to exchange tickets, goods or services offered by them.

(f) As of September 30, 2020, and December 31, 2019 it is mainly composed of accounts payable for the purchase of financial investments negotiated during the last days of the month, which were settled during the first days of the following month.

(g) Operations in process include deposits received, loans disbursed and/or collected, funds transferred and other similar types of transactions, which are made at the end of the month and not reclassified to their final interim condensed consolidated statements financial position accounts until the first days of the following month. The regularization of these transactions may not affect the Bank and Subsidiaries' consolidated net income.

(h) As of September 30, 2020, and December 31,2019 it is mainly composed of deferred commission's loans and deferred income from indirect loans.

8 DEPOSITS AND OBLIGATIONS

a) This item is made up as follows:

	As of September 30, 2020 S/000	As of December 31, 2019 S/000
Demand deposits (i)	49,749,115	32,200,966
Saving deposits (ii)	43,446,871	32,867,095
Time deposits	21,008,363	25,039,955
Severance indemnities deposits	7,127,617	7,897,199
Negotiable certificates	1,091,457	1,180,461
	122,423,423	99,185,676
Interest payable	176,888	247,485
Total	122,600,311	99,433,161

(i) Growth in demand deposits was attributable to Government programs loans (Reactiva Peru and FAE), which are held in clients' accounts, see Note 3.

(i) Growth in savings deposits reflects the decisions taken by the Peruvian government to bolster liquidity, including approving the suspension of obligatory contributions to pension funds (April) and allowing affiliates to AFPs to withdraw up to 25% of their funds (May), see Note 3.

b) The Bank and Subsidiaries have established a policy to pay interests on demand deposits and savings deposits according to a sliding interest rate scale, based on the average balance maintained in those accounts. Additionally, according to such policy, it was established that accounts having balances lower than a determined amount for each type of account, do not bear interest.

c) Interest rates applied to the different deposits and obligations accounts are determined by the Bank and Subsidiaries considering current interest rates in the markets where they develop their operations.

As of September 30, 2020, and December 31, 2019, of the total balance of deposits and obligations, approximately S/43,540.7 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/100,777 and S/100,661, respectively.

9 DUE TO BANKS, CORRESPONDENTS AND OTHER ENTITIES

a) This item is made up as follows:

	As of September 30, 2020 S/000	As of December 31, 2019 S/000
By type -		
Due to banks, correspondents and financial institutions (b)	2,989,819	5,342,919
Due to related parties (d)	275,603	365,767
Promotional credit lines (e)	3,130,400	2,938,981
	6,395,822	8,647,667
Interest payable	14,677	12,631
Total	6,410,499	8,660,298
By term -		
Short-term debt	2,225,387	5,143,323
Long-term debt	4,185,112	3,516,975
Total	6,410,499	8,660,298

b) As of September 2020 and December 31,2019 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)	794,444	406,710
Citibank N.A. (i)	539,550	662,800
Sumitomo Mitsui Banking Corporation (ii)	356,103	984,258
Toronto Dominion Bank	269,775	-
Banco de la Nación	260,000	-
Bank of New York (iii)	179,850	331,400
Bank of America (iv)	149,276	994,200
Wells Fargo Bank (v)	143,880	730,074
Corporación Andina de Fomento - CAF(vi)(vii)	-	662,800
Bankinter	71,941	-
Scotiabank Perú S.A.A.	50,000	100,000
Banco Internacional del Perú S.A.A. (Interbank)	60,000	-
Caja Municipal de Ahorro y Crédito de Arequipa S.A.	60,000	140,000
Banco ICBC	55,000	-
Banco BBVA Perú	-	85,000
Standard Chartered Bank	-	86,827
International Finance Corporation (IFC)	-	83,825
Others	-	75,025
	2,989,819	5,342,919

(i) As of September 30, 2020, loans amounting to US$150.0 million equivalent to S/539.6 million (US$200.0 million equivalent to S/662.8 million, as of December 31, 2019) are hedged by interest rate swaps (IRS) for nominal amounts equal to the principal and equal maturities, note 9, said loans were economically converted at a fixed rate.

(ii) As of September 30, 2020, loans amounting to US$99.0 million equivalent to S/356.1 million (US$297.0 million equivalent to S/984.3 million, as of December 31, 2019) remain hedged by interest rate swaps (IRS) for nominal amounts equal to the principal and equal maturity, note 9, said loans were economically converted at a fixed rate.

(iii) As of September 30, 2020, loans amounting to US$50.0 million equivalent to S/179.9 million (US$100.0 million equivalent to S/331.4 million, as of December 31, 2019) remain hedged by interest rate swaps (IRS) for nominal amounts equal to the principal and equal maturities, note 9, said loans were economically converted at a fixed rate.

(iv) As of September 30, 2020, loans amounting to US$150.0 million (US$300.0 million equivalent to S/994.2 million, as of December 31, 2019) matured, which were hedged by interest rate swaps (IRS) for Nominal amounts equal to the principal and equal maturities, note 9, said loans were economically converted at a fixed rate.

(v) As of September 30, 2020, the agreed loans for a total of US$190.0 million (US$190.0 million equivalent to S/629.7 million, as of December 31, 2019) that were hedged by interest rate swaps (IRS) for nominal amounts equal to the principal and equal maturities, note 9, said loans were economically converted at a fixed rate.

(vii) As of September 30, 2020, the loan amounting to US$100 million (US$100.0 million equivalent to S/331.4 million, as of December 31, 2019) matured, which was hedged by an interest rate swap (IRS) For a nominal amount equal to the principal and the same maturity, note 9, said loan was economically converted at a fixed rate.

(viii) As of September 30, 2020, the loan amounting to US$100 million (US$100.0 million equivalent to S/331.4 million, as of December 31, 2019) matured, which was covered by two cross currency swaps (CCS) whose The sum of nominal amounts was equal to the principal and the same maturity, note 7, said loan was economically converted to a liability with cash flows in soles and at a fixed rate in PEN.

c) As of September 30, 2020, due to banks and correspondents comprise mainly loans to finance foreign trade operations and for working capital granted by 13 entities (15 as of December 31, 2019); of which 3 represent approximately 56.53 percent of the balance (6 represent approximately 51.28 percent of the balance as of December 31, 2019).

As of September 30, 2020, due to bank and correspondents accrued annual interest at rates that ranged between 0.45 and 8.20 percent (between 2.0 and 8.67 percent as of December 31, 2019).

d) As of September 30, 2020, due to related parties includes loans at variable interest rates maintained between BCP and CCR Inc. and Atlantic Security Bank (ASB), amounting to US$75.1 million, equivalent to a S/270.1 million and US$1.6 million, equivalent to S/5.8 million, respectively (the loans at variable interest rates between BCP and CCR Inc. and Atlantic Security Bank (ASB) amounting to US$108.8 million, equivalent to a S/360.6 million and US$1.6 million equivalent to a S/5.2 million, respectively, as of December 31, 2019), see Note 20.

e) Promotional credit lines represent loans received mainly from Corporación Financiera de Desarrollo (COFIDE) and Fondo de Cooperación para el Desarrollo (FONCODES) to promote the development of Perú. As of September 30, 2020 and December 31, 2019, their annual interest rates ranged between 4.20 and 7.75 percent in soles, and the interest rate in dollars is 7.60 percent (7.75 i percent in December 31, 2019). These liabilities are secured by a loan portfolio for up to the amount of the credit line used.

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

	As of September 30, 2020	As of December 31, 2019
	S/000	S/000
Up to 3 months	892,093	1,737,794
From 3 months to 1 year	1,593,432	3,651,261
From 1 year to 3 years	1,373,902	875,412
From 3 to 5 years	567,278	534,842
More than 5 years	1,969,117	1,848,358
	6,395,822	8,647,667

10 BONDS AND NOTES ISSUED

a) As of September 30, 2020, and December 31, 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	149,972	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	399,817	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	264,241	263,971
					814,030	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						
Trading certificates of deposit - Mibanco	Between 3.8 y 5.8	Annual	Between October 2020 and November 2024	S/1,032	1,032	997
					1,032	997
Total local issuance					960,062	1,142,082
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	3,995,016	2,383,860
Senior Notes - (iii), (iv)	Between 4.65 and 4.85	Semi-annual	Between October 2020 and September 2024	S/2,900,000	2,881,541	2,877,485
Senior Notes - (v)	4.25	Semi-annual	April 2023	US$716,301	2,534,098	2,323,065
Senior Notes - (vi), (vii), (viii), (ix)	Between 2.70 and 5.38	Semi-annual	Between September 2020 and January 2025	US$700,000	2,436,134	3,468,793
Subordinated Bonds - (x)	6.88	Semi-annual	September 2026	US$181,505	646,772	1,549,702
Floating rate Notes - (xi)	Libor 3M + 1.0%	Quarterly	March 2021	US$70,000	251,675	231,738
Senior Notes - (xii)	0.42	Semi-annual	August 2021	¥ 5,000,000	170,098	151,888
Senior Notes - (xiii)	Libor 3M + 0.55%	Quarterly	March 2022	US$30,000	107,728	-
Subordinate negotiable certificates of deposit - (xiv)	Libor 3M + 2.79%	Quarterly	November 2021	US$2,960	10,647	9,809
Total international issuance					13,033,709	12,996,340
Total local and international issuance					13,993,771	14,138,422
Interest payable					88,111	174,504
Total					14,081,882	14,312,926

The bonds are guaranteed by the Bank's financed assets.

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) From 2022 and on, the Bank will pay a variable interest rate Libor 3 month plus 704.3 basis points. Between April 24, 2017 and April 24, 2022, the Bank can redeem all or part of the bonds with a penalty of an interest rate equal to the Treasury of the United States of America 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 principal will take place at the date of maturity or upon redemption.

(ii) In June 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 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.

(iv) In September 2019, the Bank announced a repurchase offer for a corporate bond issued. From the amount in circulation of S/2,000.0 million with maturity in 2020, S/1,308.8 million were exchanged and S/291.2 million were repurchased.

At the same time, the bank made a corporate bond issue under the Medium Term Bond Program amounting to S/2,500.0 million at a semi-annual coupon rate of 4.65 percent with maturity in 2024. Between October 17, 2021 and August 17, 2024, the Bank can redeem all or part of the notes at a redemption price that is equal to the greater between (1) 100% of the principal amount of the notes and (2) discounting the remaining flows at a rate equivalent to the interest rate of Sovereign Bonds issued by the Government of Peru, or other comparable security, plus 25 basis points. As of August 17, 2024, the Bank can redeem all or part of the notes at a redemption price that is equal to 100% of the aggregate amount of the principal of the notes to be redeemed. Payment of principal will take place at the date of maturity or upon redemption.

(v) The Bank can redeem all or part of the notes at any date, taking as penalty an interest rate equal to the Treasury of the United States of America’s plus 50 basis points. Payment of principal will take place at the date of maturity or upon redemption.

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

(vii) In September 2019, the Bank announced a repurchase offer for a corporate bond issued. From the outstanding amount of the Senior Notes for US$800.0 million with maturity in 2020, US$205.0 million were exchanged and US$220.3 million were repurchased.

At the same time, the bank issued a corporate bond under the Medium Term Bond Program amounting to US$700.0 million at a semi-annual coupon rate of 2.70 percent with maturity in 2025. Between October 11, 2021 and before December 11, 2024, the Bank may redeem all or part of the notes at a redemption price that is equal to the greater between (1) 100% of the principal amount of the notes and (2) discounting the remaining flows at a discount rate equivalent to the interest rate of the Treasury of the United States of America plus 20 basis points. As of December 11, 2024, the Bank can redeem all or part of the notes at a redemption price that is equal to 100% of the aggregate amount of the principal of the notes to be redeemed. Payment of principal will take place at the date of maturity or upon redemption.

(viii) As of September 30, 2020, the Bank holds a cross currency swap (CCS) for a notional amount of US$50.0 million equivalent to S/179.9 million (US$50.0 million equivalent to S/165.7 million as of December 31,2019), see Note 7(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 interest rate risk exposure strategy, the Bank discontinued the fair value hedge of these bonds through the unwind of interest rate swaps (IRS). The accumulated fair value gains of these bonds at the time of the unwind 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 September 30, 2020, the liability amounts to US$3.1 million, equivalent to S/11.1 million, (US$8.7 million, equivalent to S/28.8 million, as of December 31, 2019). The amount recorded in the interim condensed consolidated statement of income ended September 30, 2020 amounts to US$5.6 million, equivalent to S/19.6 million (US$6.6 million, equivalent to S/21.8 million, during the period ended September 30, 2019).

(x) As of September 16, 2021, a variable interest rate Libor 3 month plus 770.8 basis points will be paid. Between September 16, 2016 and September 15, 2021, the Bank can redeem all or part of the bonds, having as penalty an interest rate equal to the Treasury of the United States of America plus 50 basis points. Also, as of September 16, 2021 or at any date after interest payment, the Bank can redeem all or part of the bonds without penalty. Payment of principal will take place at the date of maturity or upon redemption.

(xi) As of September 30, 2020, the Bank holds an IRS for a notional amount totaling US$70.0 million equivalent to S/251.8 million (US$70.0 million equivalent to S/232.0 million as of December 31, 2019), Note 7(b), which was designated as cash flow hedge of a bond issued in US dollars at a variable rate; through this IRS the bond was converted to a fixed rate.

(xii) As of September 30, 2020, the Bank holds a cross currency swap (CCS) for a notional amount of ¥5,000.0 million equivalent to S/170.5 million (¥5,000.0 million equivalent to S/152.5 million, as of December 31, 2019), see Note 7(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/165.5 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) As of September 30, 2020, the Bank holds an IRS for a notional amount totaling US$30.0 million equivalent to S/107.9 million, see Note 7(b), which was designated as cash flow hedge of a corporate bond issued in US dollars at a variable rate; through this IRS the bond was converted to a fixed 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	2019
	S/000	S/000
Up to 3 months	400,077	182,704
From 3 months to 1 year	493,074	1,637,232
From 1 year to 3 years	3,396,110	1,207,373
From 3 to 5 years	4,917,721	4,801,018
More than 5 years	4,786,789	6,310,095
Total	13,993,771	14,138,422

11 INCOME TAX

Amounts presented in the interim condensed consolidated statements of income for the 2020 and 2019 are shown below:

	Nine -month period ended September 30,	
	2020	2019
	S/000	S/000
Current	807,536	995,467
Deferred	(621,548)	38,931
	185,988	1,034,398

As of September 30, 2020, deferred income tax expense variation is mainly due to an increase in the generic provision for loans, which increases the expense by S/556 million; and due to a lower activation of intangibles compared to 2019, which increased spending by S/ 46 million.

12 SHAREHOLDER’S EQUITY

a) Capital stock -

As of September 30, 2020, the Bank’s capital stock comprises 11,067.4 million, of fully subscribed and paid common shares, each with a nominal value of one Peruvian Sol (10,217.4 million as of December 31, 2019).

As of September 30, 2020 and as of December 31, 2019 Grupo Crédito S.A. (a subsidiary of Credicorp) hold 97.71 percent of the Bank’s capital stock.

The Mandatory Annual General Shareholders’ Meetings held on April 03, 2020 approved the capitalization of 2019 retained earnings for amounts of S/850.0 million.

b) Legal reserve -

Under Peruvian legislation, the Bank must reach a legal reserve of at least 35 percent of its paid-in capital, through an annual appropriation of at least 10 percent of the net income. As of September 30, 2020, and December 31, 2019 the Bank covered said legal requirement.

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

The Bank's Subsidiaries established in Perú must also record legal reserves in their individual financial statements, which percentages vary depending on applicable laws.

c) Other reserves -

The other reserves have been funded through the appropriation of accumulated results and is considered to be unrestricted.

The Mandatory Annual General Shareholders' Meeting, held on April 03, 2020 approved the increase of other reserves by approximately S/1,170.7 million, from the 2019 net income and previous years.

d) Unrealized and translation results -

The caption "Unrealized and translation results" includes the net unrealized gain (loss) from available-for-sale investments and from derivatives instruments used as cash flow hedges and translation results. The movement for the nine -month period ended September 30, 2020 and 2019, net of deferred income tax is as follows:

	Unrealized gain (loss) of:			
	Available for sale investments	**Derivatives instruments used as cash flow hedges**	**Translation results**	**Total**
	S/000	**S/000**	**S/000**	**S/000**
Balances as of January 1, 2019	13,621	(3,827)	824	10,618
Net unrealized gain from available for-sale investments	430,727	-	-	430,727
Transfer of realized gain from available for-sale investments to the interim condensed consolidated statement of income, net of realized loss	(110,269)	-	-	(110,269)
Net unrealized loss from cash flow hedge	-	(10,486)	-	(10,486)
Transfer of realized loss from cash flow hedge to the interim condensed consolidated statement of income, net of realized loss	-	(16,344)	-	(16,344)
Deferred Income Tax	(13,935)	7,447	-	(6,488)
Foreign currency translation	-	-	23	23
Balances as of September 30, 2019	320,144	(23,210)	847	297,781
Balances as of January 1, 2020	328,302	(30,770)	580	298,112
Net unrealized gain from available for-sale investments	219,289	-	-	219,289
Transfer of realized gain from available for-sale investments to the interim condensed consolidated statement of income, net of realized loss	(178,323)	-	-	(178,323)
Net unrealized gain from cash flow hedge	-	(85,716)	-	(85,716)
Transfer of realized loss from cash flow hedge to the interim condensed consolidated statement of income, net of realized loss	-	67,325	-	67,325
Deferred Income Tax	(67)	5,076	-	5,009
Foreign currency translation	-	-	920	920
Balances as of September 30, 2020	369,201	(44,085)	1,500	326,616

e) Components of other comprehensive income -

The interim condensed consolidated statement of comprehensive income includes other comprehensive income from available-for-sale investments and from derivatives financial instruments used as cash flow hedges; its movement is as follows:

	For the nine-month period ended September 30,	
	2020	2019
	S/000	S/000
Available-for-sale investments:		
Net unrealized gain from available for-sale investments	219,289	430,727
Net transfer of realized gain from available for-sale investments to interim condensed consolidated statements of income	(178,323)	(110,269)
Sub total	40,966	320,458
Deferred income tax	(67)	(13,935)
	40,899	306,523
Non-controlling interest	203	222
	41,102	306,745
Cash flow hedges:		
Net unrealized (loss) gain from cash flow hedges	(85,716)	(10,486)
Net transfer of realized loss from cash flow hedges to interim condensed consolidated statements of income	67,325	(16,344)
Sub total	(18,391)	(26,830)
Deferred income tax	5,076	7,447
	(13,315)	(19,383)
Translation results:		
Exchange differences on translation of foreign operations	920	23
Non-controlling interest	(5)	(1)
	915	22

f) Dividend distribution -

The General Shareholders' Meetings held on April 03, 2020 and on March 29, 2019, agreed to distribute dividends for approximately S/1,303.7 million and S/1,504.1, 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.

Under current Peruvian legislation, there is no restriction for overseas remittance of dividends or the repatriation of foreign investment. Individual persons and corporations not domiciled in Peru must pay of 5 percent as tax on dividends received, which must be retained and paid by the entity that distributes the dividends.

g) Equity for legal purposes (Regulatory capital) -

As of September 30, 2020 and December 31, 2019 in application of Legislative Decree No.1028, the Bank presents the following amounts related to weighted assets and credits by total risk and regulatory capital (basic and supplementary), in millions of soles:

	As of September 30, 2020	As of December 31, 2019
	S/000	S/000
Assets and risk weighted by overall risk	139,911	134,129
Regulatory capital	21,528	19,408
Basic regulatory equity	14,971	14,850
Supplementary regulatory capital	6,557	4,558
Global equity on regulatory capital ratio	15.39%	14.47%

As of September 30, 2020 and December 31, 2019, the Bank and Subsidiaries have fulfilled the requirements of Resolutions No.2115-2009, No.6328-2009 and No.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 assets and credits weighted for each type of risk.

On July 20, 2011, the SBS issued Resolution No.8425-2011 requiring an additional regulatory capital, which is the summation of each of the following components: economic cycle risk, concentration risk, market concentration risk, interest rates risk and others. Likewise, it established a gradual adoption period of five years starting in July 2012. As of September 30, 2020, and 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/1,026.1 million and S/3,569.3 million, respectively.

In Management's opinion, the Bank and Subsidiaries are carrying out the requirements established by the Resolution No.8425-2011.

Resolution SBS No.11823-2010, "Regulations on consolidated supervision of financial and mixed conglomerates" establishes that the economic group subject to consolidation (the Bank and Subsidiaries are part of Credicorp Group), must have a regulatory equity destined to cover the risks arising from the operations and activities of the bank, which shall not be lower than the minimum equity, required the group subject to consolidation. As of September 30, 2020, and December 31, 2019, the regulatory equity of the financial group subject to consolidation amounted to S/26,568.4 million and S/ S/24,106.4 million, respectively.

13 TAX SITUATION, LIABILITIES AND CONTINGENCIES

a) The Bank and its principals Subsidiaries are subject to the Peruvian tax regime. The income tax rate at September 30, 2020 and December 31, 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 ("Superintendecia 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 2019 and 2018.

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) 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%, the suspension is applied.
- If they decrease by up to 30%, 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 and May 2020 due to the decrease in its net income compared to the previous year, by 8.17% and 23.97%, respectively. In June 2020, net income increased compared to the same month of the previous year, so the payment on account was not modified.

f) 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.

g) 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.

h) 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.	2014-2019
Mibanco Banco de la Microempresa S.A.	2015-2019
Solución Empresa Administradora Hipotecaria S.A.	2015-2019

On September 11 and December 2019, the Peruvian Tax Authority has 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 period to Banco de Crédito del Perú S.A.

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; For the same year, the Bank has been notified of the Letter of Presentation and initial requirement of the third category Income Tax inspection.

On April 16, 2019, Mibanco has been notified by the Tax Authority for the start of the 2014 Income Tax audit, currently the audit procedure is in process.

i) Also, the Chilean Statutory Income Tax rate (First Category Tax) for resident legal individuals subject to the attributed system is 25 percent for 2018 and 2019 and for those subject to the partially integrated 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% for taxpayers who are in the regime attributed, for their part, Taxpayers under the partially integrated scheme, in some cases, must return 35% of this credit. This refund does not apply to countries with which Chile has an agreement in place to avoid double taxation. Credicorp companies Group are all under the partially integrated scheme.

   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 2019 and 2018 consolidated financial statements of the Bank and its Subsidiaries.

j) The Peruvian regulatory Accounting Council, through Resolution N°003-2019-EF/30 issued on September 19, 2019, made official the application of IFRIC 23 “Uncertainly over Income Tax Treatments”, effective for annual periods which began on January 1, 2019.

   This interpretation clarifies how to apply the recognition and measurement requirements of IAS 12 when there is uncertainly regarding income tax treatments. In this circumstance, an entity will recognize and measure its deferred or current tax assets or liabilities by applying the requirements of IAS 12 on the basis of tax gain (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined by applying this interpretation.

   In this regard, the Company, through the corresponding areas, is making improvements in its processes in order to comply with this interpretation of the standard in fiscal year 2019.

14 OFF-BALANCE SHEET ACCOUNTS

a) This item is made up as follows:

	As of September 30, 2020	As of December 31, 2019
	S/000	S/000
Contingent operations (indirect loans) (b) -		
Guarantees and stand-by letters of credit	15,440,013	17,212,965
Import and export letters of credit	1,537,672	1,673,509
Due from bank acceptances	256,238	535,222
	17,233,923	19,421,696
Responsibilities under credit line agreements (c)	68,867,418	67,820,401
Other contingent operations	12,162	9,157
Total contingent risk and commitments	86,113,503	87,251,254

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

The Bank and Subsidiaries apply the same credit policies in making commitments and conditional obligations as they do for on-balance sheet instruments, including the requirement to obtain collateral to support off-balance sheet financial instruments when it is deemed necessary. Collateral held varies, but it may include deposits in financial institutions, securities or other assets. Because most of the contingent transactions are expected to expire without any performance being required, the total committed amounts do not necessarily represent future cash requirements.

Due from bank acceptances represent collection rights for the Bank and Subsidiaries that arise at the time of negotiation of the letters 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).

As of September 30, 2020, the variation is mainly due to stand-by letters of credit maturity and decreasing issuances as a result of less dynamism in the economy caused by COVID-19 pandemic, see Note 3.

c) Responsibilities under credit lines agreements do not correspond to commitments to grant credits and include credit lines and other consumer loans that are cancelable upon notification to the client.

15 FINANCIAL INCOME AND EXPENSES

This item is made up as follows:

	For the nine-month period ended September 30,	
	2020	2019
	S/000	S/000
Financial income		
Interest from loan portfolio	7,234,794	7,365,534
Interest from trading, available-for-sale and held to maturity investments, net	565,729	547,225
Interest from cash and due from banks and inter-bank funds	60,984	236,925
Other	5,240	9,680
	7,866,747	8,159,364

	For the nine-month period ended September 30,	
	2020	2019
	S/000	S/000
Financial expenses		
Interest and commission on deposits and obligations	(680,632)	(902,447)
Interest on bonds and subordinate notes issued	(672,593)	(677,954)
Interest on due to banks, correspondents and other entities and inter-bank funds	(437,463)	(446,882)
Deposit Insurance Fund fee	(133,209)	(112,810)
Other	(6,774)	(5,745)
	(1,930,671)	(2,145,838)
Gross financial margin	5,936,076	6,013,526

16 COMMISSIONS FOR BANKING SERVICES, NET

This item is made up as follows:

	For the nine-month period ended September 30,	
	2020	2019
	S/000	S/000
Banking services commissions		
Transfer and collection services	464,215	582,301
Commissions from parties affiliated to the credit/debit card network	353,730	444,808
Maintenance of accounts	245,842	232,009
Commissions from contingent operations	177,050	181,842
Commissions on special services - Credipago	158,744	167,889
Insurance commissions	91,029	162,385
Fees from consulting and technical studies	72,529	94,967
Credit and debit card service	46,945	106,394
Penalty commissions	37,908	60,413
Commission on transfers overseas and other	35,758	41,344
Withholding and collection services	28,586	40,529
Commission from salary in advance and payment of services	24,648	36,967
Check issuance	2,479	5,101
Others	55,458	55,177
Sub total	1,794,921	2,212,126
Expenses related to banking services commissions		
Credit and debit card services	(147,118)	(158,770)
Credit/debit card network	(19,590)	(33,610)
Expenses related to check issuance	(1,664)	(3,146)
Others	(71,987)	(87,422)
Sub total	(240,359)	(282,948)
Balance, net	1,554,562	1,929,178

Commissions have decreased mainly due to a lower number of banking operations as a product of less dynamism in the economy caused by COVID-19 pandemic, see Note 3.

17 OTHER NON-FINANCE INCOME AND OTHER OPERATING EXPENSES

This item is made up as follows:

	For the nine-month period ended September 30,	
	2020	2019
	S/000	S/000
Other non-finance income		
Revenue from sale of loan portfolio	33,564	98,614
Income from sale of property, furniture and equipment	9,804	14,053
Rental income	736	504
Net gain from sale of seized assets	-	127
Other (a)	106,406	104,933
Total	150,510	218,231
Other operating expenses		
Donations (b)	(118,902)	(4,458)
Losses due to operational risk	(32,181)	(21,411)
Provision for sundry risks	(10,251)	(4,744)
Provision for other accounts receivable	(6,361)	(648)
Administrative and tax penalties	(331)	(736)
Net loss from sale of seized assets	(70)	-
Other (c)	(123,111)	(51,152)
Total	(291,207)	(83,149)

(a) During the nine-month period ended September 30, 2020 and 2019, the balance mainly comprises cash surpluses, use of BCP Bolivia brand penalty for breach of contract, commissions for recovery in civil and judicial lawsuits of Personal Credits and Credit Card products; also, collection of commission for relocation, vehicle taxes, municipal property taxes, fines and penalties to clients related to the Leasing product, among others.

(b) During the nine-month period ended September 30, 2020, a donation amounted of S/100.0 million was the fundraising campaign named “#YoMeSumo” of BCP and S/10.0 million a donation of MiBanco, in both cases, in order to raise funds for the poorest families affected by COVID-19.

(c) The Bank and its subsidiaries have incurred on extraordinary disbursements as part of the sanitary measures imposed by the Biosafety Protocols required by the government in order to prevent the spread of COVID-19 in its offices and agencies. Those disbursements have occurred between March and June of this year.

18 TRANSACTIONS WITH RELATED PARTIES

a) During the nine-month period ended September 30, 2020 and the year ended December 31, 2019, the Bank and Subsidiaries have acquired bonds, granted loans, supplied and received several services, correspondent relationships and other operations with Credicorp's Subsidiaries, which balances are shown below:

	As of September 30, 2020	As of December 31, 2019
	S/000	S/000
Assets -		
Cash and due from banks	20,706	5,363
Investments available-for-sale (Credicorp shares)	98,925	86,074
Loans, net	288,026	217,093
Other assets	116,975	132,231
Liabilities -		
Deposits and obligations	1,661,558	1,567,775
Due to banks, correspondents and other entities	276,550	367,266
Bonds and subordinated notes issued	45,992	50,016
Other liabilities	8,207	12,216
Contingent operations (indirect loans)	368,625	252,633

	For the nine-month period ended September 30,	
	2020	2019
	S/000	S/000
Statements of income		
Financial income	18,259	9,602
Financial expenses	25,677	51,853
Other income	304,543	357,833
Other expenses (*)	74,916	67,219

(*) This caption includes the accrued portion of insurance coverage contracted with Pacífico Compañía de Seguros y Reaseguros S.A., a Credicorp subsidiary; the accrued part is included in the caption "Administrative expenses" of the interim condensed consolidated statement of income.

The increase of the direct loans and accrued interest on loans is mainly due to loan awarded made between May and September 2020 of the Reactiva Peru program. Likewise, the increase in deposits and interest expenses increased in the same proportion as a result of the entities maintaining the loans received as demand deposits.

Under 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 considers that the Bank and Subsidiaries have complied with all legal requirements for transactions with related parties.

Loans and other contingent credits (indirect loans) with related parties, not Credicorp's Subsidiaries, are as follows:

	As of September 30,2020 S/000	As of December 31, 2019 S/000
Direct loans	2,181,421	1,657,205
Indirect loans	352,278	373,865
Derivatives, market value	4,721	4,984
Deposits (*)	1,509,034	749,440

(*) Deposits only include the data of juridical persons.

b) Loans to employees and their families -

The Bank and Subsidiaries grant loans to their employees and families in terms that depend on the different types of loans granted (mainly mortgage loans) and are included under the caption "Loans, net" of the interim condensed consolidated statements 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 September 30, 2020 and December 31, 2019, the balance of loans and other facilities granted to employees, their family members, directors and key executives of the Bank and Subsidiaries amounted to S/1,009.8 million and S/1,003.2 million, respectively.

19 FINANCIAL RISK MANAGEMENT

The activities of the Bank and 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 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 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 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 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 three 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 Committee is responsible for reviewing the tolerance level of the appetite for credit risk and the limits of exposure. 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 is responsible for analyzing and proposing corrective actions in case there are deviations in the levels of risk tolerance assumed in the risk appetite for Treasury. It also proposes the guidelines and policies for Treasury and ALM Risk Management within the framework of governance and the organization of comprehensive risk management. 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.

Operational Risk Committee -

The Operational Risk Committee is responsible for reviewing the tolerance level of the appetite for operational risk and limits of exposure. It also proposes the norms and policies for managing operational risks and the mechanisms for implementing corrective actions, within the framework of governance. Furthermore, it is responsible for proposing the approval of any changes in the functions described above and for reporting any finding to the Risk Management 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 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 Subsidiaries.

The Central Risk Management is divided into 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 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.

Consumer and Micro-Business Risk Division -

The Consumer and Micro-Business Risk Area is responsible for ensuring the quality of the retail loans portfolio and developing credit standards in line with the guidelines and risk levels defined by the Board of Directors.

Credit Division -

The Credit Division is responsible for the evaluation, approval, control and recovery of the wholesale portfolio based on the general credit policies for each of the operations in which the Bank decides to participate in. These guidelines are established on the basis of the policies set by the Board of Directors and respecting current laws and regulations.

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.

(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 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 measurement and reporting systems -

The Bank and Subsidiaries have independent information bases which are then integrated through corporate reports. These reports allow monitoring, at the accumulated level and detailed for the different types of risks to which each subsidiary is exposed. The system has the ability to meet the appetite review needs by risk requested by the committees and areas described above; as well as complying with regulatory requirements.

c) Risk mitigation -

Depending on the type of risk, the Bank and 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 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 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 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 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.

19.1 Credit risk -

a) The Bank and 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 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 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 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 Subsidiaries implement policies on the acceptability of specific classes of collateral or credit risk mitigation. The main types of collateral obtained for credits are as follows:

For repurchase agreements and securities lending, collaterals are fixed income instruments and cash.

For loans and advances, collaterals include, among others, mortgages over residential properties; liens over business assets such as premises, inventory and accounts receivable; and liens over financial instruments such as debt securities and equities.

Moreover, long-term credits and financing to corporate entities are generally guaranteed. Credits to small companies and microenterprises are not generally guaranteed. In order to minimize credit losses, the Bank and 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 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 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 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 Subsidiaries on behalf of a customer authorizing a third party to draw drafts on the Bank and 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 Subsidiaries have no commitment to extend credit.

b) The maximum exposure to credit risk as of September 30, 2020 and December 31, 2019, before the effect of mitigation through any collateral, is the book value of each class of financial assets and the contingent operations.

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

- 94.0 percent of the loan portfolio is considered neither past due nor impaired as of September 30, 2020 (93.5 percent as of December 31, 2019);

- 96.8 percent of the investments have at least investment grade (BBB- or higher) or are debt securities issued by BCRP (unrated) as of September 30, 2020 (96.9 percent as of December 31, 2019);

- 13.0 percent and 77.4 percent of the cash and due from banks represent amounts deposited in the Bank and in the BCRP, respectively, as of September 30, 2020 (16.1 percent and 68.8 percent, respectively, as of December 31, 2019).

c) Credit risk management for loans -

The Bank and 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 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 loans are written off after all the necessary legal procedures have been completed and the write-off has been approved by the Board of Directors, in accordance with SBS Resolution No. 11356-2008 “Regulation for the evaluation and classification of debtors and the requirement for provisions”. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the statement of income.

The Bank and 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 Subsidiaries continually review their credit portfolio in order to evaluate the completion and precision of their categories. Likewise, 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 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 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 September 30, 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	66,329,302	15,958,042	18,612,385	11,194,009	112,093,738	96.32	53,393,191	15,680,258	12,385,886	13,249,798	94,709,133	95.02
Potential problem	4,040,976	127,587	198,863	293,957	4,661,383	3.75	2,268,261	91,372	268,081	119,720	2,747,434	2.76
Past due but not impaired -												
Normal	620,552	210,005	5,351	212,007	1,047,915	0.90	776,229	384,228	387,807	261,403	1,809,667	1.82
Potential problem	39,773	27,115	403	4,872	72,163	0.06	38,510	78,638	17,106	2,849	137,103	0.14
Impaired -												
Substandard	936,876	122,580	272,804	301,837	1,634,097	1.40	601,935	160,896	193,929	214,388	1,171,148	1.17
Doubtful	478,745	309,497	367,119	415,838	1,571,199	1.35	503,894	276,121	324,808	387,172	1,491,995	1.50
Loss	1,138,995	567,834	895,050	543,687	3,145,566	2.70	847,267	472,820	609,296	203,651	2,133,034	2.13
Gross	73,585,219	17,322,660	20,351,975	12,966,207	124,226,061	106.48	58,429,287	17,144,333	14,186,913	14,438,981	104,199,514	104.54
Less: Allowance for loan losses	4,241,845	641,007	1,668,952	1,003,549	7,555,353	6.48	2,076,119	569,618	1,240,655	641,489	4,527,881	4.54
Total, net	69,343,373	16,681,653	18,683,023	11,962,658	116,670,708	100.00	56,353,168	16,574,715	12,946,258	13,797,492	99,671,633	100.00

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 September 30, 2020 and December 31, 2019, refinanced loans amounted to approximately S/1,518.20 million and S/1,163.86 million, respectively, of which S/704.47 million and S/526.33 million, respectively, are classified as neither past due nor impaired, S/121.10 million and S/191.05 million past due but not impaired, and S/692.63 million and S/446.48 million impaired, respectively. The table above does not include rescheduled loans related to COVID-19 (See Note 3).

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

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 September 30, 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	2,554,616	999,911	1,534,973	1,261,362	6,350,862	1,953,096	909,837	1,128,033	805,211	4,796,177
Fair value of collateral	2,179,472	824,646	6,858	130,726	3,141,702	1,627,025	737,251	6,103	100,232	2,470,611
Allowance for loan losses	1,224,191	515,392	1,018,114	862,703	3,620,400	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 Subsidiaries evaluate the credit risk identified of each of the financial instruments in these categories, considering 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 tree 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 September 30, 2020		As of December 31, 2019	
	S/000	%	S/000	%
Instruments rated in Perú:				
AAA	120,376	0.36	100,297	0.57
AA- a AA+	43,374	0.13	3,414	0.02
A- to A+	3,670	0.01	7,236,583	40.91
BBB- to BBB+ (*)	13,169,059	39.15	494,156	2.79
BB- to BB+	571,410	1.70	356,067	2.01
B- to B+	-	-	8,798	0.05
CCC+	8,538	0.03	-	-
Unrated				
BCRP certificates of deposit	16,032,893	47.68	8,665,271	49.00
Listed and non-listed securities	1,934	0.01	6,836	0.04
Subtotal	29,951,254	89.07	16,871,422	95.39
Instruments rated abroad:				
AAA	897,869	2.67	-	-
A- to A+	1,040,933	3.09	286,581	1.62
BBB- to BBB+	1,233,218	3.67	361,413	2.05
BB- to BB+	299,990	0.89	76,839	0.43
B- to B+	101,124	0.30	-	-
Unrated				
Listed and non-listed securities	104,004	0.31	91,067	0.51
Subtotal	3,677,138	10.93	815,900	4.61
Total	33,628,392	100.00	17,687,322	100.00

(*) The variation of the balances is due to the fall in the rating mainly of sovereign bonds of the Peruvian Treasury, whose rating as of September 30, 2020 is BBB+ and as of December 31, 2019 was A-; due to the situation of COVID-19. See more details in Note 3.

e) Concentration of financial instruments exposed to credit risk:

As of September 30, 2020 and December 31, 2019, financial instruments with exposure to credit risk were distributed considering the following economic sectors:

	As of September 30, 2020					As of December 31, 2019				
	Held for trading and hedging (*)	Loans and receivables	Investments available-for-sale	Investments held-to-maturity	Total	Held for trading and hedging (*)	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
Peruvian Central Bank	1,609,392	25,953,103	14,426,657	-	41,989,152	-	21,166,545	8,665,271	-	29,831,816
Commerce	7,549	20,974,691	283,182	-	21,265,422	10,415	11,260,694	74,940	-	11,346,049
Manufacturing	17,439	16,343,544	361,944	-	16,722,927	10,294	13,546,329	199,142	-	13,755,765
Government and public administration	268,341	478,575	8,929,041	4,251,926	13,927,883	-	502,301	4,112,388	3,456,144	8,070,833
Financial services	940,959	10,393,310	2,475,723	-	13,809,992	676,025	8,425,017	553,274	-	9,654,316
Leaseholds and real estate activities	16,472	10,707,813	-	-	10,724,285	6,286	6,875,148	-	-	6,881,434
Micro-business loans	-	7,247,499	-	-	7,247,499	-	13,797,999	-	-	13,797,999
Communications, storage and transportation	205	6,746,668	133,951	-	6,880,824	3,974	4,171,384	2,419	-	4,177,777
Community services	-	6,673,468	-	-	6,673,468	-	4,877,417	-	-	4,877,417
Electricity, gas and water	52,233	3,233,857	480,592	-	3,766,682	6,986	2,595,877	553,260	-	3,156,123
Mining	49,952	3,390,624	181,480	-	3,622,056	22,303	3,026,163	46,405	-	3,094,871
Agriculture	4,415	2,917,400	3,670	-	2,925,485	1,963	2,072,439	3,870	-	2,078,272
Construction	18,682	2,685,137	-	-	2,703,819	7,129	1,439,679	-	-	1,446,808
Education, health and other services	5,955	2,325,552	44,541	-	2,376,048	3,325	1,688,035	20,209	-	1,711,569
Fishing	977	500,912	8,538	-	510,427	321	316,082	-	-	316,403
Insurance	9,061	100,532	-	-	109,593	5,099	119,656	-	-	124,755
Others	51,182	2,575,220	172,570	-	2,798,972	76,215	1,467,880	-	-	1,544,095
Sub - Total	3,052,814	123,247,905	27,501,889	4,251,926	158,054,534	830,335	97,348,645	14,231,178	3,456,144	115,866,302
Residential mortgage loans	-	16,714,008	-	-	16,714,008	-	16,654,280	-	-	16,654,280
Revolving and non-revolving loans	-	12,101,130	-	-	12,101,130	-	14,088,289	-	-	14,088,289
Total	3,052,814	152,063,043	27,501,889	4,251,926	186,869,672	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 September 30, 2020 and December 31, 2019, the financial instruments with exposure to credit risk were distributed by the following geographical areas:

	Held for trading and hedging (*)	Loans and receivables	Investments available for sale	Investments held-to maturity	Total
	S/000	S/000	S/000	S/000	S/000
As of September 30, 2020					
Peru	2,018,720	146,882,987	23,934,364	4,251,926	177,087,997
United States of America	157,761	982,607	1,874,239	-	3,014,607
Colombia	47,307	956,203	827,438	-	1,830,948
Chile	78,234	1,065,339	420,657	-	1,564,230
Brazil	29,845	509,832	-	-	539,677
Panama	13,747	285,299	81,643	-	380,689
Mexico	42,472	655	118,193	-	161,320
Venezuela (**)	-	-	126,916	-	126,916
Canada	23,425	71,233	-	-	94,658
Guatemala	-	72,373	5,141	-	77,514
Bolivia	-	3,315	-	-	3,315
Europe:					
France	591,161	3,744	-	-	594,905
Germany	14,947	573,446	-	-	588,393
United Kingdom	35,195	278,009	-	-	313,204
Spain	-	43,274	-	-	43,274
Switzerland	-	243	-	-	243
Others in Europe	-	9,550	384	-	9,934
Others	-	324,934	112,914	-	437,848
Total	3,052,814	152,063,043	27,501,889	4,251,926	186,869,672

(*) Correspond to financial instruments at fair value through profit or loss.
(**) Correspond to investments in Corporación Andina de Fomento - CAF.

	Held for trading and hedging (*)	Loans and receivables	Investments available for sale	Investments held-to maturity	Total
	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
Chile	37,488	1,538,121	206,143	-	1,781,752
Colombia	9,013	1,053,028	291,199	-	1,353,240
United States of America	236,820	892,543	118,314	-	1,247,677
Brazil	-	466,552	-	-	466,552
Panama	-	342,891	35,041	-	377,932
Canada	29,976	109,513	-	-	139,489
Guatemala	-	124,229	-	-	124,229
Mexico	-	484	74,136	-	74,620
Venezuela (**)	-	-	4,609	-	4,609
Europe:					
United Kingdom	188,472	267,782	-	-	456,254
France	222,451	25,865	-	-	248,316
Germany	15,047	68,079	-	-	83,126
Spain	-	30,379	-	-	30,379
Switzerland	-	49	-	-	49
Others in Europe	-	30,851	-	-	30,851
Others	-	408,331	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.
(**) Correspond to investments in Corporación Andina de Fomento - CAF.

19.2 Liquidity risk -

Liquidity risk is the risk that the Bank and 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 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 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 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 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 Internal Net Stable Funding Ratio (INSFR), 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 ILCR). 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 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 September 30, 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 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
Financial assets	56,604,357	41,311,874	58,316,448	26,435,452	34,757,741	217,425,872	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	47,069,809	15,718,788	21,350,370	33,535,035	6,304,665	123,978,667	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	2,507,411	7,439,514	23,614,886	665,279	3,202,907	37,429,997	4,480,778	1,123,851	1,494,708	479,811	7,843,918	15,423,066
Bonds and subordinated Notes issued	592,314	1,600,006	5,381,018	8,515,026	159,723	16,248,087	699,005	2,144,490	5,881,952	5,310,605	2,518,421	16,554,473
Other liabilities	1,033,610	318,265	1,549,312	6,208	1,557,789	4,465,184	2,153,727	147,764	-	-	1,203,309	3,504,800
Equity	-	-	-	-	18,517,924	18,517,924	-	-	-	-	19,025,400	19,025,400
Total non-derivative liabilities	51,203,144	25,076,573	51,895,586	42,721,548	29,743,008	200,639,859	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)	2,145,733	1,413,452	737,992	190,567	989,693	5,477,437	1,643,042	1,239,499	655,716	292,200	955,921	4,786,378
Contractual amounts payable (outflow)	285,750	425,071	676,957	221,068	936,947	2,545,793	940,720	797,932	911,863	334,127	997,206	3,981,848
Total derivative liabilities	1,859,983	988,381	61,035	(30,501)	52,746	2,931,644	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 Subsidiaries at the date of the consolidated statement of financial position:

	As of September 30, 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 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
Contingent credits (Indirect loans)	336,763	743,489	11,477,509	4,641,131	35,031	17,233,922	379,513	837,871	12,934,531	5,230,303	39,478	19,421,696

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

19.3 Market risk -

The Bank and 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 prices; 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 nature of the current operations of the Bank and Subsidiaries, commodity price risk is not applicable.

The Bank and 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 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 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 29 market risk factors, which are composed as follows: 19 market curves, 9 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 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 at September 30, 2020, by Interest Rate and Exchange Rate effect due to the increase in the Fixed Income and Foreign exchange position, as well as an increase in the volatility of interest rates caused by the COVID-19 pandemic. During the period, the VaR remained within the limits of the appetite for risk established by the Risk Management of the Bank and its Subsidiaries.

As of September 30, 2020, and December 31, 2019, the Bank and Subsidiaries VaR by risk type is as follows:

	2020	2019
	S/000	S/000
Interest rate	26,602	3,390
Volatility	1,700	463
Exchange rate	6,778	1,263
Diversification effect	(11,652)	(1,498)
Consolidated VaR	23,428	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 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 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 Subsidiaries' exposure to interest rate risks. It includes the financial instruments of the Bank and Subsidiaries at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates:

	As of September 30, 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	17,546,235	865,887	2,586,827	6,842,119	118,628	5,590,924	33,550,620
Loan portfolio (*)	11,048,271	14,159,309	26,382,568	53,246,966	14,499,093	(2,163,969)	117,172,238
Investments	3,537,704	7,788,461	4,732,504	4,616,205	10,968,507	110,434	31,753,815
Other assets (**)	-	-	-	-	-	1,303,395	1,303,395
Total assets	32,132,210	22,813,657	33,701,899	64,705,290	25,586,228	4,840,784	183,780,068
Liabilities and equity							
Deposits and obligations and interbank funds	35,610,266	9,904,780	15,352,651	53,762,006	5,968,785	2,001,823	122,600,311
Payable from repurchase agreements, due to banks, correspondents and other entities	970,639	1,187,233	6,402,427	20,895,449	2,756,414	68,012	32,280,174
Bonds and subordinated Notes issued	399,981	355,101	887,098	12,196,493	144,991	98,218	14,081,882
Other liabilities	-	-	-	-	-	2,832,642	2,832,642
Equity	-	-	-	-	-	18,517,924	18,517,924
Total liabilities and equity	36,980,886	11,447,114	22,642,176	86,853,948	8,870,190	23,518,619	190,312,933
Risk and contingent commitments							
Hedging derivatives asset	741,733	1,058,080	957,229	357,915	-	-	3,114,957
Hedging derivatives liabilities	118,692	360,813	1,336,502	1,038,823	238,600	-	3,093,430
Marginal gap	(4,225,635)	12,063,810	10,680,450	(22,829,566)	16,477,438	(18,677,835)	(6,511,338)
Accumulated gap	(4,225,635)	7,838,175	18,518,625	(4,310,941)	12,166,497	(6,511,338)	-

(*) The amount presented in the column "Non.interest bearing" includes the balance of internal overdue loans and under legal collection loans, accrued interest, unearned interest and the allowance for loan losses.

(**) The items other assets and other liabilities only consider financial accounts.

The investments booked 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 for the measurement of their market risks.

	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 and equity							
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 "Non-interest bearing" includes the balance of internal overdue loans and under legal collection loans, accrued interest, unearned interest and the allowance for loan losses.

(**) The items other assets and other liabilities only consider 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 September 30, 2020 and December 31, 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 September 30, 2020 and December 31, 2019 are as follows:

Currency	Changes in basis points		Sensitivity of financial margin S/000		Sensitivity of economic value S/000	
As of September 30, 2020 -						
U.S. dollars	+/-	50	+/-	53,448	+/-	195,876
U.S. dollars	+/-	75	+/-	80,171	+/-	293,813
U.S. dollars	+/-	100	+/-	106,895	+/-	391,751
U.S. dollars	+/-	150	+/-	160,343	+/-	587,627
U.S. dollars	+/-	300	+/-	320,685	+/-	1,175,254
Soles	+/-	50	-/+	2,821	-/+	456,614
Soles	+/-	75	-/+	4,231	-/+	684,921
Soles	+/-	100	-/+	5,642	-/+	913,228
Soles	+/-	150	-/+	8,462	-/+	1,369,841
Soles	+/-	300	-/+	16,925	-/+	2,739,683
As of December 31, 2019 -						
U.S. dollars	+/-	50	+/-	53,900	+/-	114,753
U.S. dollars	+/-	75	+/-	80,850	+/-	172,130
U.S. dollars	+/-	100	+/-	107,800	+/-	229,506
U.S. dollars	+/-	150	+/-	161,700	+/-	344,260
U.S. 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 Subsidiaries currently have. However, this effect does not include the actions that would be taken by Management to mitigate the potential impact of this risk on interest rates.

In addition, the Bank and 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 September 30, 2020 and December,2019, as presented below:

Market price sensitivity	Changes in market prices		2020	2019
	%		S/000	S/000
Equity securities	+/-	10	10,594	9,790
Equity securities	+/-	25	26,485	24,476
Equity securities	+/-	30	31,781	29,371

(ii) Foreign exchange risk -

The Bank and 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.

Foreign currency transactions are made at free market exchange rates.

As of September 30, 2020, the weighted average market exchange rate published by the SBS for transactions in U.S. Dollars was S/3.595 for buying and S/3.599 for selling (S/3.311 for buying and S/3.317 for selling, as of December 31, 2019). A detail of the Bank and Subsidiaries' foreign currency assets and liabilities expressed in thousands of U.S. Dollars and other currencies is shown below

	As of September 30, 2020		As of December 31, 2019	
	U.S. Dollars	Other currencies (*)	U.S. Dollars	Other currencies (*)
	US$000	US$000	US$000	US$000
Assets				
Cash and due from banks and interbank funds	7,038,829	24,739	6,946,601	22,831
Investment at fair value through profit or loss and available for sale, net	1,481,869	126,613	459,158	18,770
Held to maturity investments	26,040	-	30,265	-
Loans, net	8,785,909	-	9,981,384	477
Other assets	591,837	182	348,221	6
	17,924,484	151,534	17,765,629	42,084
Liabilities				
Deposits and obligations	(13,549,794)	(22,972)	(12,438,104)	(22,260)
Payable from repurchase agreements	(70,205)	-	(221,618)	-
Due to banks, correspondents, other entities and interbank funds	(623,349)	-	(1,528,837)	-
Bonds and subordinated notes issued	(2,789,582)	(47,382)	(3,042,814)	(46,037)
Other liabilities	(462,106)	(246)	(244,332)	(188)
	(17,495,036)	(70,600)	(17,475,705)	(68,485)
Net Forward position overbought (oversold).	(381,309)	(392)	(441,323)	59
Net position - currency swap	(22,755)	(128,380)	(84,995)	-
Net position - cross currency swaps and interests rate swap	168,726	47,389	208,970	28,615
Foreign currency options, net	(160,887)	-	(7,565)	-
	(396,225)	(81,383)	(324,913)	28,674
Net monetary position	33,223	(449)	(34,989)	2,273

(*) Mainly Japanese Yen and Colombian Pesos.

As of September 30, 2020, the Bank and Subsidiaries have contingent operations (indirect loans) in foreign currency for approximately US$3,182.8 million, equivalent to approximately S/11,448.6 million (approximately US$3,848.2 million, equivalent to approximately S/12,753.1 million, as of December 31, 2019), see details of the composition in Note 14.

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 September 30, 2020 and December 31, 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 sol against dollar, 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
Depreciation -			
Sol against dollar	5	5,691	(5,522)
Sol against dollar	10	10,864	(10,541)
Appreciation -			
Sol against dollar	5	(6,290)	6,103
Sol against dollar	10	(13,278)	12,884

19.4 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 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.

19.5 Capital management -

The Bank and Subsidiaries actively manage a capital base to cover the inherent risks in their activities. The capital adequacy of the Bank and 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. Furthermore, capital management responds to market expectations in relation to the solvency of the Bank and Subsidiaries and to support the growth of the businesses considered in the strategic planning. In this way, the capital maintained by the Bank and 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 Subsidiaries operate; (ii) to safeguard the operating capacity of the Bank and 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 No.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 No. 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.

19.6 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 September 30, 2020 and December 31, 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
September 30, 2020					
Financial assets					
Derivative financial instruments:					
Interest rate swaps		-	657,166	-	657,166
Currency swaps		-	362,121	-	362,121
Forward exchange contracts		-	123,385	-	123,385
Cross currency swaps		-	33,034	-	33,034
Options		-	2,531	-	2,531
Derivatives receivable	7(b)	-	1,178,237	-	1,178,237
Investments at fair value through profit or loss (trading)	5(a)	268,341	1,606,236	-	1,874,577
Available-for-sale investments:					
Debt securities					
BCRP Certificates of deposit		-	14,426,657	-	14,426,657
Government treasury bonds		8,891,317	37,724	-	8,929,041
Corporate, leasing and subordinated bonds		1,736,488	1,753,859	-	3,490,347
Negotiable certificate of deposits		-	505,365	-	505,365
Listed equity securities		98,925	-	-	98,925
Securitization instruments		-	44,541	-	44,541
Non-listed equity securities		-	-	7,013	7,013
Subtotal	5(a)	10,726,730	16,768,146	7,013	27,501,889
Total financial assets		10,995,071	19,552,619	7,013	30,554,703
Financial liabilities					
Derivative financial instruments:					
Interest rate swaps		-	824,271	-	824,271
Currency swaps		-	219,107	-	219,107
Forward exchange contracts		-	149,763	-	149,763
Cross currency Swaps		-	69,428	-	69,428
Options		-	9,647	-	9,647
		-	1,272,216	-	1,272,216
Total financial liabilities	7(b)	-	1,272,216	-	1,272,216
December 31, 2019					
Financial assets					
Derivative financial instruments:					
Currency swaps		-	354,072	-	354,072
Interest rate swaps		-	230,818	-	230,818
Forward exchange contracts		-	145,568	-	145,568
Cross currency swaps		-	98,585	-	98,585
Options		-	1,292	-	1,292
	7(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
Government treasury bonds		4,112,387	-	-	4,112,387
Corporate, leasing and subordinated bonds		813,941	521,466	-	1,335,407
Other instruments		-	20,209	-	20,209
Equity instruments:					
Listed securities		86,074	-	-	86,074
Unlisted securities		-	-	11,830	11,830
	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:					
Interest rate swaps		-	314,646	-	314,646
Currency swaps		-	308,970	-	308,970
Forward exchange contracts		-	109,110	-	109,110
Cross currency Swaps		-	54,775	-	54,775
Options		-	892	-	892
	7(b)	-	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 Subsidiaries financial instruments where valuation techniques were used with inputs based on observable market data which incorporate the estimates of the Bank and 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 -

  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. 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 September 30, 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										
Cash and due from banks	-	33,550,620	-	33,550,620	33,550,620	-	26,709,946	-	26,709,946	26,709,946
Interbank funds	-	-	-	-	-	-	101,979	-	101,979	101,979
Held-to-maturity investments	4,576,986	98,142	-	4,675,128	4,251,926	3,772,509	103,010	-	3,875,519	3,456,144
Loans, net	-	117,172,238	-	117,172,238	117,172,238	-	100,336,130	-	100,336,130	100,336,130
Other assets	-	1,361,576	-	1,361,576	1,361,576	-	943,159	-	943,159	943,159
Total	4,576,986	152,182,576	-	156,759,562	156,336,360	3,772,509	128,194,224	-	131,966,733	131,547,358
Liabilities										
Deposits and obligations	-	122,600,311	-	122,600,311	122,600,311	-	99,433,161	-	99,433,161	99,433,161
Interbank funds	-	-	-	-	-	-	204,986	-	204,986	204,986
Payables from repurchase agreements	-	25,869,675	-	25,869,675	25,869,675	-	5,803,336	-	5,803,336	5,803,336
Due to banks, correspondents and other entities	-	6,614,270	-	6,614,270	6,410,499	-	8,640,534	-	8,640,534	8,660,298
Bonds and subordinated Notes issued	-	14,737,059	-	14,737,059	14,081,882	-	14,793,651	-	14,793,651	14,312,926
Other liabilities	-	2,052,952	-	2,052,952	2,052,952	-	1,636,232	-	1,636,232	1,636,232
Total	-	171,874,267	-	171,874,267	171,015,319	-	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.

20 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.

	Balance in millions of American dollars		
Year of issue	**As of September, 2020**	**As of December, 2019**	**Maturity**
2012 - Serie C, Note 9 (d)	75.1	108.8	2022
Total	75.1	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 at three subsidiaries of Credicorp (BCP Stand-alone, Mibanco and Grupo Pacifico), with which these subsidiaries have cooperated. The SBS has initiated a sanctioning process against BCP on August 5, 2020. BCP responded on August 25, 2020. The SBS resolution is currently pending. The SBS may impose pecuniary sanctions (fines) on BCP as a consequence of this sanctioning process.

Management believes that SBS sanctioning processes do not pose a significant risk of material liability and will not have material effect on the Company's business, financial position or profitability.

As of September 30, 2020, and December 31, 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.

21 SUBSEQUENT EVENTS

Political Environment

On November 09th, Congress impeached President Martín Vizcarra on grounds of “permanent moral incapacity” for having allegedly accepted bribes for infrastructure projects dating from 2011–14, when he was Regional Governor of Moquegua. On November 10th, in accordance with the rules of ascension outlined in the Constitution, Manuel Merino, the president of congress, took office as interim President and chose a new cabinet of ministers.

Acceptance of the impeachment process and the interim government was low and massive protests rolled out throughout the country. Although the majority of protestors acted pacifically, some clashes took place with police, leaving two students dead and dozens injured. On November 15th, Manuel Merino resigned. On November 16th, Congress voted to elect a new president of congress. Dr. Francisco Sagasti was chosen to preside over the legislature, and as such was next in line to assume the Presidency of the Republic. On November 17th, Mr. Sagasti was sworn in to lead the transitional government. It is important to note that general elections will be held in April 2021 and newly elected officials will assume office in July 2021.

Mr. Sagasti is an academic and consultant and a member of “Partido Morado,” a center-right political party. He voted against the impeachment of former president Martin Vizcarra and against proposals for additional pension fund withdrawals. Mr. Sagasti holds a Bachelor of Industrial Engineering from the National University of Engineering of Peru; a Master’s of Industrial Engineering from Pennsylvania State University; and a PhD in Operational Research and Social Systems Sciences from the University of Pennsylvania.

Mr. Sagasti has promised that transparent elections will be held in April 2021. The top priorities of his transitional government are: 1) fighting the pandemic, 2) economic growth and responsible management of public finance, 3) education recovery, 4) fighting corruption.

On November 18th, the new ministerial cabinet assumed its duties. Violeta Bermúdez will preside over the cabinet as Prime Minister. She is an attorney whose areas of interest include human rights, democratic institutions and vulnerable populations. Waldo Mendoza was appointed Minister of Economy and Finance. Previously, he was vice minister of public finance and president of the fiscal committee. This appointment should guarantee macro-fiscal stability. The new cabinet is highly diverse and balanced and is expected to generate consensus while coordinating with different political parties during the transition period.

On November 16th, the Constitutional Court declared that the suit filed by the Executive to determine Congress’s competence to impeach the President for permanent moral incapacity was unfounded. It is important to note that despite periods of uncertainty and changes in the political environment, Peru’s economy followed an upward trajectory for nearly 30 years, growing 6-fold. Prior to COVID 19, it was one of the fastest growing economies in the region. Although recent political events will generate uncertainty in the short term, the country’s strong fundamentals are intact:

1. An independent Central Bank.
2. Low public debt.
3. Market openness and free trade agreements in place.
4. Current economic model is stated in Peru’s constitution: Central Bank independence, free capital flow, non - discrimination policy for foreign investors, etc.