Translation of independent auditor's report and financial statements originally issued in Spanish - Note 25

Banco Internacional del Perú S.A.A. - Interbank

Financial statements as of December 31, 2020 and 2019, together with Independent Auditor's Report

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Financial Statements as of December 31, 2020 and 2019, together with Independent Auditor's Report

Content

Translation of independent auditor's report originally issued in Spanish – Note 25

Independent Auditor's Report

To the Shareholders of Banco Internacional del Perú S.A.A. - Interbank

We have audited the accompanying financial statements of Banco Internacional del Perú S.A.A. - Interbank (a Peruvian financial corporation, subsidiary of Intercorp Financial Services Inc. which in turn is subsidiary of Intercorp Perú Ltd.) which comprise the statement of financial position as of December 31, 2020 and 2019, and the related statement of income, other comprehensive income, changes in equity and cash flows for each of the years ended December 31, 2020, 2019 and 2018, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting standards prescribed by the Superintendencia de Banca, Seguros y AFP (Superintendence of Banking, Insurance and Private Pension Funds Administrators, "SBS", by its Spanish acronym) for Peruvian financial entities, and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. Our audits were conducted in accordance with International Standards on Auditing as adopted for use in Peru by the Boards of Peruvian Associations of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

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

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Translation of independent auditor's report originally issued in Spanish - Note 25

Independent Auditor's Report (continued)

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Banco Internacional del Perú S.A.A. - Interbank, as of December 31, 2020 and 2019, and well as the results of their operations and their cash flows for each of the years ended December 31, 2020, 2019 and 2018, in accordance with accounting standards prescribed by the SBS for Peruvian financial entities; see Note 2.

Lima, Peru,
February 23, 2021

Paredes, Burga & Asoc.

Countersigned by:

V. Tanaka

Víctor Tanaka
C.P.C.C. Register No.25613

Banco Internacional del Perú S.A.A. - Interbank

Statement of financial position

As of December 31, 2020, and 2019

	Note	2020 S/(000)	2019 S/(000)
Assets			
Cash and due from banks	3(a)		
Cash and clearing		2,152,382	1,871,874
Deposits in Central Reserve Bank of Peru		14,102,283	5,864,723
Deposits in local and foreign banks		827,377	769,569
Restricted funds		616,617	1,270,341
		17,698,659	9,776,507
Inter-bank funds	3(e)	18,105	85,006
Investments at fair value through profit or loss		190,331	4,788
Available-for-sale investments	4(a)	6,068,687	3,362,741
Held-to-maturity investments	4(h)	2,692,166	2,191,854
Loan portfolio, net	5	39,003,339	34,739,232
Investments in subsidiaries and associates	6	88,432	96,121
Property, furniture and equipment, net	7	381,142	408,218
Other assets, net	8(a)	1,324,280	1,474,298
Deferred Income Tax, net	12	358,910	164,348
Total assets		67,824,051	52,303,113
Contingent risks and commitments	15	27,422,388	32,803,148

	Note	2020 S/(000)	2019 S/(000)
Liabilities			
Deposits and obligations	9(a)	43,290,599	34,080,052
Inter-bank funds	3(e)	28,971	169,138
Deposits from financial entities	9(e)	1,305,607	1,529,938
Payables from repurchase agreements	3(d),4(b), 4(h) and 5(a)	7,775,776	1,937,018
Debts and financial obligations	10	1,583,380	1,725,232
Securities, bonds and obligations outstanding	11	6,498,845	5,815,626
Provisions and other liabilities	8(a)	1,157,468	1,017,118
Total liabilities		61,640,646	46,274,122
Shareholders' equity	13		
Capital stock		4,723,363	3,937,453
Treasury stock		(33,910)	(33,910)
Legal and special reserves		1,019,451	898,542
Unrealized results		209,618	17,814
Retained earnings		264,883	1,209,092
Total shareholders' equity		6,183,405	6,028,991
Total liabilities and shareholders' equity		67,824,051	52,303,113
Risks and commitments	15	27,422,388	32,803,148

The accompanying notes are an integral part of these financial statements.

Banco Internacional del Perú S.A.A. - Interbank

Statement of income

For the years ended December 31, 2020, 2019 and 2018

	Note	2020 S/(000)	2019 S/(000)	2018 S/(000)
Interest income	16	3,865,088	4,094,799	3,589,757
Interest expenses	16	(983,877)	(1,231,025)	(1,040,730)
Gross financial margin		2,881,211	2,863,774	2,549,027
Provision for loan losses, net of recoveries	5(f)	(1,995,732)	(911,323)	(803,501)
Net financial margin		885,479	1,952,451	1,745,526
Income from financial services	17	838,244	1,032,802	993,072
Expenses for financial services	17	(335,727)	(332,831)	(345,961)
Financial margin, net of income and expenses for financial services		1,387,996	2,652,422	2,392,637
Gain on financial transactions	18	407,502	529,221	417,526
Administrative expenses	19	(1,310,451)	(1,405,893)	(1,302,850)
Depreciation	7(a)	(73,543)	(72,454)	(67,193)
Amortization	8(f)	(107,448)	(91,166)	(73,898)
Net operating income		304,056	1,612,130	1,366,222
Provision for contingencies and others		(7,288)	(6,324)	(4,718)
Operating income		296,768	1,605,806	1,361,504
Other (expenses) income, net	20	(459)	10,899	2,660
Income before Income Tax		296,309	1,616,705	1,364,164
Income Tax	12(b)	(31,426)	(395,189)	(324,101)
Net income		264,883	1,221,516	1,040,063
Basic and diluted earnings per share (in soles)	21	0.056	0.260	0.221
Weighted average number of shares outstanding (in thousands)	21	4,704,976	4,704,976	4,704,976

The accompanying notes are an integral part of these financial statements.

Banco Internacional del Perú S.A.A. - Interbank

Statement of other comprehensive income

For the years ended December 31, 2020, 2019 and 2018

	Note	2020 S/(000)	2019 S/(000)	2018 S/(000)
Net income for the period		264,883	1,221,516	1,040,063
Other comprehensive income:				
Net gain (loss) in available-for-sale investments	13(e)	203,135	(10,189)	(138,837)
Net movement of cash flow hedges	13(e)	(12,064)	(44,244)	35,034
Participation in subsidiaries and associates	13(e)	-	(698)	(476)
Income Tax	12(a) and 13(e)	733	37,450	19,922
Other comprehensive income for the period, net of Income Tax		191,804	(17,681)	(84,357)
Total comprehensive income for the period, net of Income Tax		456,687	1,203,835	955,706

The accompanying notes are an integral part of these financial statements.

Banco Internacional del Perú S.A.A. - Interbank

Statement of changes in equity

For the years ended December 31, 2020, 2019 and 2018

	Number of shares					Unrealized results				
	Issued (in thousands)	Treasury stock (in thousands)	Capital stock S/(000)	Treasury stock S/(000)	Legal and special reserves S/(000)	Available-for-sale investments S/(000)	Derivatives Instruments designated as cash flow hedges S/(000)	Investments in associates and subsidiaries S/(000)	Retained earnings S/(000)	Total S/(000)
Balance as of January 1, 2018	3,064,509	18,387	3,064,509	(33,910)	704,554	120,176	(1,498)	1,174	902,000	4,757,005
Changes in equity for 2018										
Net income	-	-	-	-	-	-	-	-	1,040,063	1,040,063
Other comprehensive income, Note 13(e)	-	-	-	-	-	(108,580)	24,699	(476)	-	(84,357)
Total comprehensive income	-	-	-	-	-	(108,580)	24,699	(476)	1,040,063	955,706
Transfer, Note 13(c)	-	-	-	-	90,200	-	-	-	(90,200)	-
Capitalization of earnings, Note 13(a)	405,900	-	405,900	-	-	-	-	-	(405,900)	-
Dividends declared and paid, Note 13(a)	-	-	-	-	-	-	-	-	(405,900)	(405,900)
Balance as of December 31, 2018	3,470,409	18,387	3,470,409	(33,910)	794,754	11,596	23,201	698	1,040,063	5,306,811
Changes in equity for 2019										
Net income	-	-	-	-	-	-	-	-	1,221,516	1,221,516
Other comprehensive income, Note 13(e)	-	-	-	-	-	14,209	(31,192)	(698)	-	(17,681)
Total comprehensive income	-	-	-	-	-	14,209	(31,192)	(698)	1,221,516	1,203,835
Transfer, Note 13(c)	-	-	-	-	103,788	-	-	-	(103,788)	-
Capitalization of earnings, Note 13(a)	467,044	-	467,044	-	-	-	-	-	(467,044)	-
Dividends declared and paid, Note 13(a)	-	-	-	-	-	-	-	-	(467,044)	(467,044)
Others	-	-	-	-	-	-	-	-	(14,611)	(14,611)
Balance as of December 31, 2019	3,937,453	18,387	3,937,453	(33,910)	898,542	25,805	(7,991)	-	1,209,092	6,028,991
Changes in equity for 2020										
Net income	-	-	-	-	-	-	-	-	264,883	264,883
Other comprehensive income, Note 13(e)	-	-	-	-	-	200,309	(8,505)	-	-	191,804
Total comprehensive income	-	-	-	-	-	200,309	(8,505)	-	264,883	456,687
Transfer, Note 13(c)	-	-	-	-	120,909	-	-	-	(120,909)	-
Capitalization of earnings, Note 13(a)	785,910	-	785,910	-	-	-	-	-	(785,910)	-
Dividends declared and paid, Note 13(a)	-	-	-	-	-	-	-	-	(302,273)	(302,273)
Balance as of December 31, 2020	4,723,363	18,387	4,723,363	(33,910)	1,019,451	226,114	(16,496)	-	264,883	6,183,405

The accompanying notes are an integral part of these financial statements.

Banco Internacional del Perú S.A.A. - Interbank

Statement of cash flows

For the years ended December 31, 2020, 2019 and 2018

	Note	2020 S/(000)	2019 S/(000)	2018 S/(000)
Cash flow from operating activities				
Net income		264,883	1,221,516	1,040,063
Adjustments to reconcile the net income with cash provided by operating activities - Plus (minus)				
Provision for loan losses, net of recoveries	5(f)	1,995,732	911,323	803,501
Depreciation and amortization	7(a) y 8(f)	180,991	163,620	141,091
Provisions for contingencies and others		7,288	6,324	4,718
Deferred Income Tax	12(b)	(193,829)	(10,209)	(32,255)
Income from sale and valuation of investments, net	18(a)	(102,047)	(170,581)	(151,083)
Participation from investments in subsidiaries and associates	18(a)	(14,996)	(34,303)	(42,494)
Income from sale of subsidiary	6(d)	-	(52,580)	-
Loss from sale of assets received as payment and seized through legal actions		520	413	1,509
Provisions for assets received as payment and seized through legal actions	20	254	4,163	10,345
Net changes in asset and liabilities				
Net increase in loan portfolio		(6,222,905)	(4,405,828)	(5,290,552)
(Net increase) net decrease in investments		(3,016,855)	394,292	313,454
Net increase in deposits and obligations		9,210,547	3,914,747	33,120
(Net decrease) net increase in deposits from financial entities		(224,331)	371,756	695,660
Decrease in accrued income		(87,239)	(18,555)	(40,296)
Net increase (net decrease) in interest payable		13,832	(7,932)	14,191
Decrease in restricted founds		653,724	15,206	691,178
Net decrease (increase) of other assets, net		185,388	(221,705)	(340,451)
Net increase (decrease) in provisions and other liabilities		210,623	(15,480)	(320,683)
Net cash provided by (used in) operating activities		2,861,580	2,066,187	(2,468,984)

Statement of cash flows (continued)

	Note	2020 S/(000)	2019 S/(000)	2018 S/(000)
Cash flows from investing activities				
Purchase of property, furniture and equipment	7(a)	(49,017)	(60,439)	(58,631)
Purchase of intangibles assets	8(f)	(143,873)	(134,817)	(115,163)
Sale of subsidiary	6(d)	-	100,470	-
Sale of assets received as payment and seized through legal actions, and property, furniture and equipment		2,222	221	395
Net cash used in investing activities		(190,668)	(94,565)	(173,399)
Cash flows from financing activities				
Collections of repurchase agreements obtained		19,608,588	7,586,481	10,731,470
Payments of repurchase agreements		(13,769,830)	(7,746,653)	(10,858,092)
Collections of debts and financial obligations obtained		2,907,785	546,811	975,703
Payments of debts and financial obligations obtained		(3,087,334)	(739,045)	(1,243,168)
Issuance of securities, bonds and obligations outstanding		1,061,400	2,120,431	1,148,844
Payments of securities, bonds and obligations outstanding		(1,072,616)	(1,748,303)	(166,593)
Net decrease (net increase) in receivable inter-bank funds		66,901	410,031	(91,511)
Net increase (net decrease) of inter-bank funds obtained		(142,253)	216,606	(27,982)
Collection of dividends, net of decrease in investments in subsidiaries and associates		19,403	21,742	44,342
Payment of dividends	13(a)	(302,273)	(467,044)	(405,900)
Net cash provided by (used in) financing activities		5,289,771	201,057	107,113
Net increase (net decrease) in cash before the effect of changes in the exchange rate		7,960,683	2,172,679	(2,535,270)
Effect of changes in exchange rate of cash and cash equivalents		618,130	(94,095)	304,661
Net increase (net decrease) in cash		8,578,813	2,078,584	(2,230,609)
Balance of cash at the beginning of year		8,503,013	6,424,429	8,655,038
Balance of cash at the end of year		17,081,826	8,503,013	6,424,429

The accompanying notes are an integral part of these financial statements.

1. Operations

(a) Business activity

Banco Internacional del Perú S.A.A.- Interbank (henceforth "the Bank") is a Subsidiary of Intercorp Financial Services Inc. (henceforth "IFS"), a holding corporation incorporated in the Republic of Panama in the year 2006, that owns 99.30 percent of the Bank's capital stock as of December 31, 2020 and 2019. In turn, IFS is a Subsidiary of Intercorp Perú Ltd.

The Bank is authorized by the Superintendence of Banking, Insurance and Private Pension Funds Administrators (henceforth "SBS", by its Spanish acronym) to perform multiple banking activities in accordance with Peruvian legislation. The Bank's operations are governed by the "Ley General del Sistema Financiero y de Seguros y Orgánica de la SBS", Act No. 26702 and amendments (General Act of the Financial and Insurance System and Organic of the SBS), which establishes the requirements, rights, obligations, guarantees, restrictions and other operating conditions to which legal entities operating in the financial and insurance system are subject.

The Bank's legal domicile is Av. Carlos Villarán 140, Urb. Santa Catalina, La Victoria, Lima, Peru. As of December 31, 2020, the Bank operated 215 offices (255 offices and a branch established in the Republic of Panama as of December 31, 2019).

The Board's session held on April 23, 2019, agreed on the voluntary closing of the branch incorporated in the Republic of Panama. On October 1, 2020, the Superintendency of Banks of the Republic of Panama issued Resolution SBP-0115-2020 through which it cancelled the international banking license it had granted Interbank to operate a branch in the Republic of Panama. On December 14, 2020, the dissolution of the branch was registered in the Public Registry of Panama; at such date, the main asset held by the branch were deposits in banks, which were cancelled with charge to the branch's equity, comprised of: assigned capital and non-transferred net gains.

The 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 financial statements as of December 31, 2020 and for the year then ended, have been approved by the Management on February 23, 2021, and will be submitted for approval by the Board of Directors and the General Shareholders' Meeting that will be held within the deadline established by law. In Management's opinion, the accompanying financial statements will be approved by the Board of Directors and the General Shareholders' Meeting without modifications.

(b) Covid-19 pandemic

A new coronavirus strain, SARS-CoV-2, was identified for first time in Wuhan, China, on December 2019, which causes the coronavirus disease 2019 known as Covid-19, and, subsequently, was declared a Covid-19 pandemic by the World Health Organization, which resulted in travel restrictions and trade slowdown. Considering that, in March 2020, the Government declared National State of Health Emergency and National State of Emergency in Peru, which is still in force as of the date of this report.

Among the first measures implemented within said national states of emergency, it was ordered the closure of borders, mandatory social isolation, the closure of businesses considered non-essential (the exceptions were the production, distribution and commercialization of food and pharmaceuticals, financial services and healthcare), among other measures related to the health care and well-being of citizens, but whose negative effects on the Peruvian economic were significant.

Within this context, since May 2020, the Peruvian Government approved the plan of gradual resumption of economic of economic activities within the framework of the state of health emergency that the country has been dealing with due to Covid-19; this plan comprised four (4) phases, and the starting of each one was subject to constant evaluation, following the recommendations of the Health Authority.

- Phase 1 – Started at the end of May 2020, included activities in mining, industry, construction (project), services and tourism (restaurants' delivery and services related to telecommunications, agriculture, notaries, recycling, maintenance and storage), and commerce (supplies for agriculture and home appliances and electronics).

- Phase 2 – Started at the beginning of June 2020, included activities in agriculture commerce, manufacture, commerce (sales, maintenance and repair of cars), services (professional, accommodation, lease of vehicles and machinery, telecommunications and inter-province transportation).

- Phase 3 – Started at the end of June 2020, included activities in commerce (retail and wholesale stores in general at 50 percent capacity), tourism and services (restaurants at 40 percent capacity, domestic air transportation, services of accommodations, accounting, auditing and consulting , among others).

- Phase 4 – Started at the end of September 2020, included activities in commerce (retail and wholesale stores in general at 60 percent capacity), tourism and services (restaurants at 50 percent capacity, domestic and international air transportation, entertainment at 50 percent and 60 percent capacity.

Although the measures implemented by the Peruvian Government managed to partially contain and mitigate the exponential spread of this disease, through quarantines, social distancing, promotion of face mask use and the early detection of positive cases in order to its isolate; given that there were not treatments and effective vaccines, the danger of a new wave of infections was always latent.

In that sense, to continue containing and mitigating the spread of Covid-19, during the end of the year the Peruvian Government issued a series of Supreme Decrees extending the National State of Health Emergency and the National State of Emergency until February 28, 2020, and defining alert levels: moderate, high, very high and extreme; with which each department of Peru has been rated on the basis of an assessment conducted by the Ministry of Health, thus existing a series of restrictions that vary according to each department's alert level; where these levels are very high and extreme, the phases of economic reopening are reversed. As consequence of this situation, starting in March 2020, the Ministry of Economy and Finance (henceforth "MEF"), the Central Reserve Bank of Peru (henceforth "BCRP") and the SBS activated extraordinary measures aimed to alleviate the financial and economic impact of the Covid-19 pandemic, in particular on customers of the financial system due to the lockdown of most sectors of economic activity, as well as some additional measures focused on securing the continuity of the economy's payment chain.

The main measures implemented in the financial system are related to facilities for loan rescheduling (payment deferrals), suspension of counting of past due days, and the launching of credit programs guaranteed by the Peruvian Government. These measures have been described with further detail in Note 2(a)(ii). Likewise, it was allowed partial withdrawal of certain amounts of deposits from compensation from service time accounts; see Note 9(d).

The Bank monitors the situation closely and Management is focusing on four fundamental pillars which are going to allow the continuity of its operations; taking the following measures in each one of these pillars:

(i) Liquidity and solvency
Active participation in the BCRP's daily operations, thus raising funds through loan reporting operations represented by securities, see Note 2(b)(ii)(i) for an amount of S/5,902,540,000. These funds are aimed to loans under the "Reactiva Peru" program, which allowed a higher collection in the levels of deposits. Likewise, in order to strengthen its capital and regulatory capital to face the volatile environment, the Bank implemented the following measures, which were approved by the General Shareholders' Meeting held on April 3, 2020:

- Reduction of the percentage of distributable dividends, with charge to the period 2019, from 45 percent to 25 percent. In addition, the net profit generated in the first quarter of 2020 also has a capitalization agreement.

- Placement of international subordinated bonds of US$300,000,000, as further detailed in Note 11(c).

(ii) Operations

In order to sustain the Bank's operations, the following measures have been taken:

- Provide to critical employees with technological tools.
- Implementation of new protocols for business continuity under the current circumstances.
- Monitoring of supplier operations related to the supply of cash.
- Reinforcement of IT systems and cybersecurity.

(iii) Distribution channels

- Financial stores – implementation of flexible opening hours.
- ATMs – Maintenance and cash availability at full capacity.
- Call center – Increase in telephone operators.
- Apps and home banking.

(iv) Employees

- Implementation of Covid-19 protocols and health surveillance.
- Home office implementation.
- Daily health tracking through "ConsultAPP".
- Testing kits to detect Covid-19 acquired for employees.

In Management's opinion, these and other additional measures implemented by the Bank will sufficiently address the negative effects of the Covid-19 pandemic.

2. Accounting principles and practices

In the preparation and presentation of the accompanying financial statements, Management has complied with the SBS's regulations in force in Peru. The accounting principles and practices as of December 31, 2020, have not changed compared to the principles followed as of December 31, 2019, summarized in the audited report dated February 21, 2020; with the exception of accounting regulations issued by the SBS as consequence of the National State of Emergency due to Covid-19, see Note 1(b), which are presented in paragraph 2(a)(ii).

The following are the main accounting principles used in the preparation of these financial statements.

(a) Basis for presentation, use of estimates and accounting changes

(i) Basis for presentation and use of estimates

The accompanying financial statements have been prepared in soles from the Bank's accounting records, which are maintained in nominal monetary terms at each transaction's date, in accordance with SBS regulations in effect in Peru as of December 31, 2020 and 2019, and in a supplemental manner, in the absence of specific SBS regulations, with the International Financial Reporting Standards – IFRS, approved in Peru through resolutions issued by the Consejo Normativo de Contabilidad (Peruvian Accounting Council, henceforth "CNC", by its Spanish acronym) in force in Peru as of December 31, 2020 and 2019 see paragraph (v.1) below.

The preparation of the accompanying financial statements requires Management to perform estimates that affect the reported amounts of assets, liabilities, income and expenses and the disclosure of material events in the Notes to the financial statements. Estimates are continually evaluated and are based on historical experience and other factors. The actual results may differ from those estimates.

The most significant estimates related to the accompanying financial statements correspond to the provision for loan losses, the valuation of derivative financial instruments, valuation and impairment of investments, the useful life and recoverable value of property, furniture and equipment and intangible assets, and the calculation of deferred Income Tax. The accounting criteria for each of these estimates are described below.

The accompanying financial statements do not include the effects of the consolidation of the Bank with its Subsidiaries detailed in Note 6, because their non-consolidation, individually or in aggregate, does not significantly affect the Bank's financial position, operating results and cash flows. The Subsidiaries are accounted using the equity method (see Note 2(h)) after adjustments to standardize their balances according to SBS rules. Their consolidation would not have changed neither the Bank's reported net income nor equity as of December 31, 2020, 2019 and 2018.

On Deceember 21, 2020 and 2019, the financial statements of the Panama Branch have been standardized to the SBS accounting standards.

(ii) Changes in accounting policies and new pronouncements

As mentioned in Note 1(b), as consequence of the National State of Health Emergency and the National State of Emergency due to Covid-19 pandemic, the Peruvian Government, the BCRP and the SBS issued new regulations with exceptional measures, which are detailed below:

(a) Rescheduled loans

Between March and July 2020, the SBS issued a series of Official Multiple Letters (No.10997-2020-SBS, No.11150-2020-SBS, No.11170-2020-SBS, No.12679-2020-SBS, No.13195-2020-SBS, No.13805-2020-SBS, No.14355-2020-SBS and No.15944-2020-SBS) through them established the following exceptional measures applicable to the loan portfolio, with the purpose of facilitating the debt payment of clients of the financial entities who were affected by the restrictive measures taken by the Government of Peru due to Covid-19 pandemic.

- Initially, the financial system entities can modify the contractual conditions of loans without presenting them as refinanced considering that the entire term does not extend for more than twelve months over the loan's original term. Also, debtors should have had a maximum of 15-day past due in their payments as of February 29, 2020; lastly, since May 29, 2020, and only for the purpose of the National State of Emergency, the loan of a debtor was considered as maximum of 30 calendar days past due at the moment of the loan modification, in order to comply with the requirement of being up to date with their payments.

- In the case of retail loans with modified contractual conditions, the interest associated kept on being recognized on an accrual basis. However, if the debtor changes its situation to past due after the establishment of new loan terms, the financial entity must reverse the cumulative interest of said loan proportionately within a 6-month period.

- For non-retail loans with modified contractual conditions, the interest associated must be recognized by the cash method. Cumulative interest not receivable related to these loans must be reversed since the date of the contractual terms modification.

- For debtors with more than 15 days past due as of February 29, 2020, the computation of past due days was suspended until July 31, 2020.

- Regarding the report of past due days of loans that were subject of suspension of their past due days, at the end of each month, it must be reported the lower number of past due days resulting from the comparison between: (i) the actual past due days that the loan presents at the closing of each reporting month; and (ii) the frozen past due days as of February 29, 2020, plus the calendar days that have passed since August 1, 2020, until the closing of the reporting month.

- If as result of the application of the provisions of the previous paragraph the debtor improves its classification and, therefore, reduce its provision requirements, the released provisions must be reassigned to the constitution of other mandatory provisions or, otherwise, as voluntary provisions.

- If a debtor has past due payments after the contractual modifications, said loan shall be deemed as refinanced, following the general criteria of SBS Resolution No.11356-2008, as indicated in Note 2(e).

- According to SBS Official Multiple Letter No.11150-2020, the scope of the mentioned facilities shall be determined by each entity of the financial system, after analyzing the level of impact on its loans.

- Financial entities shall be able to record, in a preventive and responsible manner, necessary voluntary provisions that allow them to face the risk increases in their loans, at the moment they materialize.

In this respect, during the year 2020, the Bank modified loans for an approximate amount of S/12,663,960,000, and recognized lower interest for non-retail loans for an approximate amount of S/2,714,000. As of December 31, 2020, the balance of rescheduled loans amounts to approximately S/10,489,296,000. Likewise, voluntary provisions associated to the National State of Emergency for approximately S/703,230,000 were constituted.

In Bank Management's opinion, the Bank has complied with all these regulations established by the SBS, and has sufficient voluntary and specific provisions to face the increase of credit risk of these rescheduled loans.

(b) Suspension of rescheduled loans presentation

Through Official Multiple Letter No.19109-2020, issued on August 7, 2020, the SBS communicated several complementary rules related to the operations subject to the measures established through the Official Multiples Letters described in (a) above. The main rules were following:

- Loan operations that have been subject to contractual modifications related to the Official Multiples Letters mentioned abode must be recorded in sub-account 8109.37 "Rescheduled Loans – National State of Health Emergency", for the terms indicated below, as applicable:

    a. For all loan types (except revolving consumer loans with credit card):
        (i) If the schedule modification did not imply the reduction of the installments amounts, the loan operation shall stop being recorded in the off-balance sheet account after 6 consecutive months of timely payment of the installments from the restart of the payment obligation (after the grace period).
        (ii) If the modification implied the reduction of the installments amount, the operation shall remain recorded in the off-balance sheet account until the debtor has paid at least 20 percent (20%) of the capital of the operation subject to modification, and has demonstrated payment capacity with respect to the new loan schedule through the timely payment of the last 6 months.

(iii) For those loans with payment periodicity more than monthly, the operation shall stop being recorded in the off-balance sheet account after 6 consecutive timely payments of its installments from the restart of the payment obligation (after the grace period), or when the debtor has paid at least 20 percent (20%) of the capital of the operation subject to modification, what happens first.

b. For revolving consumer loans with credit card, the entire debt of the credit card shall be recorded in the off-balance sheet account:

(i) If the modification was made only for the minimum payments, the entire debt of the credit card shall stop being recorded in the off-balance sheet account after 6 consecutive months of timely payment of the installments from the restart of the payment obligation (after the grace period).

(ii) If the modification was made for the entire debt, the entire debt of the credit card shall stop being recorded in the off-balance sheet account after 12 consecutive months of timely payment of the installments from the restart of the payment obligation (after the grace period).

For these purposes, it should be considered as timely payment the payment made up to 8 days past due. Additionally, once the loan stops being recorded in sub-account 8109.37 "Rescheduled Loans – National State of Health Emergency", it shall not be considered for purposes of Report 35 "Rescheduled Loans: National Emergency Covid-19".

As of December 31, 2020, the Bank stopped recording in the sub-account 8109.37 "Rescheduled Loans – National State of Health Emergency" rescheduled loans for an approximate amount of S/3,562,684,000, in compliance with the rules above.

- The migration of rescheduled operations under the unilateral type of retail loans to non-retail loans, or from non-retail to retail, as consequence of changes in the loan typification established by the Regulation for the Assessment and Classification of the Debtor and Provisions Requirement, approved through SBS Resolution No.11356-2008, shall be able to preserve the interest recording (by the accrual method of the cash method) corresponding to the initial loan type in which the operation was subject to modification, in compliance with the Official Multiple Letters.

- Regarding the suspension of the past due days counting applicable to loans with more than 15 calendar days past due as of February 29, 2020, it was in force until August 31, 2020, thus amending what was indicated by the Official Multiple Letter No.15944-2020- SBS; see paragraph (a) above. Likewise, the entities of the financial system were able to maintain the accounting situation of said loans until that said date.

(c) Additional provisions for rescheduled loans

SBS Resolution No. 3155-2020, issued on December 17, 2020 -

This Resolution establishes that for the rescheduled loans due to Covid-10, accounted for as such, the entities of the financial system must apply the following:

- Rescheduled loans of debtors classified as Normal are deemed debtors with credit risk higher than Normal, thus corresponding to them the credit risk level with Potential Problems ("CPP" by its Spanish acronym) . Specific provisions corresponding to this category CPP are applied to these loans, which are applicable to consumer, micro-business and small-business loans.
- The SBS granted an adaptation period for the constitution of these provisions and, as part of said period, as of December 31, 2020, it must be constituted at least provisions for those loans whose debtors have not had made the payment of at least one entire installment in the last 6 months. As of December 31, 2021, the entirety of the provisions must be constituted, and to do so, the entities of the financial system must define a schedule allowing to know promptly the provisions during the year 2021.
- Regarding the accrued interest of the rescheduled loans in accounting situation of outstanding, corresponding to consumer, micro and medium business loans, for which the client has not made the payment of at least one entire installment including capital in the last 6 months at the closing of the accounting information, it shall be applied a provision requirement corresponding to the Deficient risk category. Pursuant to the SBS rules, the deadline for the recording of these provisions was December 31, 2020.
- Since the entry into force of SBS Resolution No. 3155-2020, the accrued interest not collected at the rescheduling date, recognized as income capitalized as effect of the rescheduling, must be rebated and recorded as deferred income, thus recorded as income on the basis of the new loan term and upon the respective installments are being paid.
- The entities of the financial system shall not be able, in no case, to generate profits or better results for the reversion of provisions, which must be reassigned for the constitution of specific mandatory provisions.

As of December 31, 2020, the Bank constituted provisions for rescheduled loans of debtors classified as Normal for approximately S/12,669,000, and provisions for the accrued interest of the rescheduled loans in accounting situation of outstanding for approximately S/1,061,000.

(d) Regulatory capital

SBS Resolution No. 1264-2020, issued on March 26, 2020 -

This Resolution establishes that the modifications to contractual conditions indicated in the Official Multiple Letters mentioned in paragraph (a) above, shall not increase the requirement of regulatory capital for non-revolving consumer loans and mortgage loans. Likewise, said Resolution authorizes the financial entities to use their supplementary regulatory capital for the component of the economic cycle; see Note 13 (f).

(e) "Reactiva Perú" Program -

The "Reactiva Perú" program was created by Legislative Decree No.1455-2020 to grant loans to companies, through the financial entities, guaranteed by the Peruvian Government, with the purpose of maintaining the continuity of the payments chain. The program is aimed to micro, small, medium and large companies.

Regarding said program, on April 22, 2020, the SBS issued the Official Multiple Letter No.11999-2020. Through this letter, the SBS provided specifications for the accounting of said operations, and also established that the recording of interest is performed in a cumulative manner. Also, on April 27, 2020, the SBS issued Resolution No.1314-2020, which establishes that the credit risk provision of loans covered by the guarantee of the "Reactiva Perú" program shall be 0 percent.

During the year 2020, the Bank has granted loans under this modality for S/6,617,142,000. As of December 31, 2020, the Bank holds a balance from loans of the "Reactiva Perú" program for approximately S/6,659,790,000, including accrued interest amounting to S/44,021,000, out of which S/5,855,826,000 covered by the guarantee of the Peruvian Government.

(f) Business Support Fund for MYPE – "FAE MYPE" (by its Spanish acronym)

It was created through Emergency Decree No.029-2020, and it is a government fund created to guarantee working capital loans, debt restructuring and refinancing for micro and small enterprises ("MYPE" by its Spanish acronym).

On April 27 and May 19, 2020, the SBS, through Resolution No.1315-2020-SBS and Official Multiple Letter No.13206-2020-SBS, respectively, established that the provision for credit risk for loans covered by the FAE MYPE guarantee shall be 0 percent. The provision for part of the loan not guaranteed by the Fund corresponds to the provision of the original loan type according to the classification corresponding to the loan's debtor.

As of December 31, 2020, the Bank did not hold any FAE MYPE loans.

(g) Repurchase agreements of loan portfolio represented by securities
On April 3, 2020, the BCRP issued the Circular Letter No.0014-2020-BCRP. In this Letter, the BCRP establishes the characteristics and procedures of the loan portfolio repurchase agreements guaranteed by the Peruvian Government. At the sale date, the Bank receives the local currency (the sale amount) and, in the same act, is obliged to repurchase said portfolio (the repurchase amount). The BCRP disburses the 80 percent of the funds in the current account that the Bank holds at the BCRP and the remaining part, in a restricted account also held by the Bank at the BCRP.

Regarding the loan portfolio repurchase agreements, the SBS issued Official Multiple Letters No.11518-2020 and No.12791-2020, on April 7 and May 8, 2020, respectively. Through these Official Multiple Letters, the SBS provides the accounting treatment of said operations, as well as some disclosure requirements to the SBS. According to said Official Multiple Letters, the loan portfolio shall not be derecognized and provisions shall keep being constituted for the portfolio subject to the repurchase agreement.

During the year 2020, the Bank agreed on loan portfolio repurchase agreements represented by securities for an approximate amount of S/5,887,938,000. As of December 31, 2020, the Bank holds this type of repurchase agreements for approximately S/5,902,540,000, interest included; see Note 5(a)(*).

(h) Business Support Fund for MYPE of the Tourism Sector ("FAE Turismo" by its Spanish acronym) and Business Support Fund for MYPE of the Agricultural Sector ("FAE Agro" by its Spanish acronym) -
FAE Turismo was created through Emergency Decree No.76-2020 with the purpose of promoting the financing of micro and small companies of the tourism sector through working capital loans. Likewise, the Emergency Decree No.082-2020, created the FAE Agro program, whose purpose is to guarantee working capital loans for family farming activities as defined by Act No.30355, in order to secure the agricultural season 2020-2021 and food supply nationwide.

Regarding these programs, on September 4, 2020, the SBS issued Resolution No.2154-2020, which establishes that the loans granted under FAE Turismo are subject to the application of the same treatments and Resolutions as those applicable to the "FAE MYPE" program; see paragraph (h) above. Likewise, loans granted under FAE Agro are subject to the application of the same treatments and Resolutions as those applicable to the "Reactiva Perú" program; see paragraph (g) above.

As of December 31, 2020, the Bank did not hold neither FAE MYPE, FAE Turismo nor FAE Agro loans.

(i) Covid-19 Guarantees Program

Act No.31050 established exceptional measures for the rescheduling and freeze of debts in order to mitigate the economy of natural persons and MYPEs as consequence of Covid-19, and mandated the creation of the Covid-19 Guarantees program, whose purpose is to grant guarantees for the rescheduling of consumer, personal, mortgages, vehicular and MYPEs loans, from 6 to 36 months, the guarantee granting is conditioned to the reduction of the loan's cost, and as alternate and exclusionary option of the mentioned above, mandates that the entities of the financial system can establish a 90-day freeze period for consumer, personal, vehicular and MYPEs loans.

On November 10, 2020, through Resolution No. 2793-2020, the SBS established that, exceptionally, it is applicable a 0-percent provision rate for credit risk to the part of loans that are covered by the Covid-19 Guarantees program when the substitution of the credit counterpart is applicable, since the activation of the guarantee.

As of December 31, 2020, the Bank did not hold loans under the Covid-19 Guarantees program.

(j) Provisions with charge to equity

Official Multiple Letter No.42138-2020, issued on December 23, 2020, which gives information to the entities of the financial system that, on an exceptional basis and subject to previous authorization by the SBS, they will be able to reduce their capital stock, legal reserve and/or other equity accounts, with the purpose of constituting new specific and/or generic provisions (including voluntary provisions) for their loan portfolio, due to the impact generated by Covid-19. As of December 31, 2020, Management decided not to apply said Official Multiple Letter.

(b) Currency -

Functional and presentation currency -

The Bank considers the sol as its functional and reporting currency, because it reflects the nature of the economic events and the relevant circumstances of the Bank, given that its main operations and/or transactions, such as: loans granted, financing obtained, interest income and expenses, as well as its main purchases, are established and settled in soles.

Transactions and balances in foreign currency -

Assets and liabilities in foreign currency are recorded at the exchange rate prevailing at the date that transactions are performed. Monetary assets and liabilities denominated in foreign currency are translated into soles at the closing exchange rate of the corresponding month using the exchange rate set by the SBS; see Note 24.2(b)(ii). Gains or losses resulting from the translation of monetary assets and liabilities into foreign currency at the exchange rates prevailing at the date of the statement of financial position are recorded in the statement of income of the period as "Gain on exchange difference and exchange operations" within the caption "Gain on financial transactions"; see Note 18.

As of December 14, 2020, date of the dissolution of the Bank's branch, and as of December 31, 2019, the accounting records of the Bank's branch established abroad are maintained in US dollars and, for consolidation purposes, have been translated into soles at the exchange rate prevailing at the date of each statement of financial position, recording the effects of such translation in the statement of income of each period.

(c) Financial instruments -

Financial instruments are classified as assets, liabilities or equity according to the substance of the respective contractual arrangements that originated them. Interests, dividends, gains and losses generated from a financial instrument classified as asset or liability are recorded as income or expense, respectively. Financial instruments are offset when the Bank has a legally enforceable right to offset them and Management has the intention to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets and liabilities reported in the statement of financial position include cash and due from banks, inter-bank funds, investments at fair value through profit or loss, available-for-sale and held-to-maturity investments, loan portfolio, net, assets reported in the caption "Other assets, net", except for those identified as non-financial instruments, and liabilities in general, except for those identified as non-financial instruments presented in the caption "Provisions and other liabilities"; see Note 8(a). Likewise, all indirect loans and derivative products are considered to be financial instruments.

The specific accounting policies for recognition and measurement of each of these items are disclosed in the respective accounting policies included in this Note.

(d) Recognition of income and expenses -

Interest income and expenses are recorded in the statement of income of the period in which they are incurred, based on the effective term of the underlying transactions and the interest rates freely agreed upon with customers; except for interest accrued on past due loans, refinanced, restructured or in legal collection, as well as loans classified as doubtful or loss, whose interests are recognized as collected. When Management determines that the debtor's financial condition has improved and the loan is reclassified as current and/or in the category of normal, potential problems or substandard, such interests are recognized again on an accrual basis.

Interest income include interest accrued on fixed income investments, classified as available-for-sale and held-to-maturity investments, as well as income from discounts and premiums on such financial instruments. Dividends are recognized as income when declared.

Commissions from financial services related to the maintenance of loans granted are recognized as income when accrued.

Commissions and expenses for loans structuration, credit facility, assessment and credit evaluation of direct and indirect loans are recorded as income on an accrual basis over the agreement period.

Other income and expenses are recognized as earned or incurred in the period in which they accrue.

(e) Loan portfolio and provision for loan losses -

Direct loans are recorded when the funds are disbursed in favor of the customers. In the case of credit cards operations, these are recorded as loans for the amount consumed and/or cash withdrawals made. Indirect loans (contingent loans) are recorded when documents supporting such facilities are issued.

In the case of financial leases, the Bank recognizes the present value of the lease payments as credit granted. The difference between the total amount of installments receivable and their present value is recorded as unrealized interest and is recognized over the term of the lease agreement using the effective interest method, which reflects a constant periodical rate of return. The Bank does not grant operating leases.

The provision for loan losses was determined following the guidelines established by SBS Resolution No. 11356-2008 "Regulation for the Evaluation and Classification of the Debtor and the Requirement of Provisions" and SBS Resolution No. 6941-2008 "Regulation for the Managing of the Risk from Retail Debtors with High Leverage Levels". In general, these guidelines include the following three components: (i) the provision for loan losses resulting from the risk rating of the loan portfolio, (ii) the pro-cyclical rule activated by the SBS based on the behavior of specific domestic macro-economic variables, and (iii) the over-indebtedness provisions of the retail portfolio.

The provision for the risk rating of the portfolio is determined based on the assessment that Management periodically performs over the loan portfolio, classifying it into one of the following categories: normal, with potential problems, substandard, doubtful or loss, depending on the non-payment risk grade of each debtor.

For non-retail loans, the classification into one of each categories mentioned above considers, among others, the following factors: the debtor's payment experience, the payment history of the specific loan, the Bank's dealings history with the debtor's management, the debtor's operating history, repayment capability and availability of funds, the status of any collateral or guarantee received, the analysis of the debtor's financial statements, the risk classification given by other local financial institutions; plus other relevant factors. For retail loans, the classification is based, mainly, on how long payments are overdue.

The provision is computed considering the risk classifications assigned and using specific percentages, which vary depending upon whether the loans are backed by highly liquid preferred guarantees – LWHLPG (cash deposits and rights over credit letters); by readily preferred guarantees – LWRPG (public debt instruments issued by the Peruvian Government, marketable securities listed within the Selective Index of the Lima Stock Exchange, among others); or by preferred guarantees – LWPG (primary pledge on financial instruments or movable and immovable property, primary pledge on agricultural or mining concessions, insurance on export credits, among others). The guarantees received are considered at their net realizable value as determined by independent appraisers. Likewise, the computing of the provision must consider the credit classification of the guarantor or guaranteeing party for credits with subsidiary responsibility by a financial or insurance entity (loans subject to credit counterparty - CAC).

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

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

The provision for indirect loans is determined on the basis of the "Exposure equivalent to credit risk", according to the credit conversion factor.

The pro-cyclical provision is calculated for loans classified as normal, based on the percentages established by the SBS. As of December 31, 2020 and 2019, the pro-cyclical component of the provision is suspended by the SBS; however, the Bank maintains a pro-cyclical provision amounting to S/139,772,000 and S/136,840,000; respectively, that to date has not been reassigned to any specific provisions; see Note 5(e).

The provision for over-indebtedness of the retail loan portfolio requires that financial entities must establish a risk management system that reduces debt over-indebtedness risk before and after the granting of the loan; carry out permanent monitoring of the portfolio in order to identify the over-indebted debtors, which includes a periodic evaluation of control mechanisms used, as well as the corrective action or improvements required, as applicable. For provisioning purposes, the financial entities that fail to comply with this rule to the satisfaction of the SBS, must calculate the exposure equivalent to the credit risk by applying a 20 percent factor to the unused amount of revolving credit lines for micro-business and consumer debtors, and on the basis of said amount, compute the provision according to the debtor's classification. In application of this regulation, the Bank maintains provisions for approximately S/18,579,000 and S/19,659,000 as of December 31, 2020 and 2019, respectively.

The provision for loan losses for direct loans is presented as an asset deduction, while the provision for indirect loans is presented as a liability; see Note 5(f).

Acquisition of loan portfolio -
In accordance with the requirements established by the SBS, the accounting record of the acquisition of the loan portfolio is made at its gross value, which considers the historical cost and the provision for loan losses accumulated at that date. Likewise, the gain originated by the acquisition will be recognized as a deferred income that will be accrued in the statement of income as customers pay the outstanding balances; while the resulting loss, if any, is recorded in the statement of income at the acquisition date.

During the year 2019, the Bank acquired a loan portfolio from Sumitomo Mitsui Banking Corporation at its nominal value for an amount of S/164,950,000.

During 2018, the Bank acquired a loan portfolio from Bancolombia Panamá S.A., Bancolombia Puerto Rico Internacional Inc. and Itaú Corpbanca NY Branch, generating a premium interest that amounted to approximately S/16,317,000, which is presented in the caption "Other assets, net" net of its accumulated amortization of S/8,563,000 as of December 31, 2020 (S/10,160,000 as of December 31, 2019); see Note 8(a).

(f) Derivative financial instruments -
SBS Resolution No. 1737-2006 "Regulation for Trading and Accounting of Financial Derivative Instruments for Financial Entities" and its amendments, establishes the criteria for the accounting of transactions with derivatives classified as trading and hedging, as well as embedded derivatives, as explained below:

Trading derivatives -
Derivative financial instruments are initially recognized in the statement of financial position at cost and are subsequently carried at fair value, recognizing an asset or liability in the statement of financial position and the correspondent gain or loss in the statement of income. Also, transactions with derivative financial instruments are recorded in off-balance sheet accounts at their notional amount in the committed currency; see Note 8(b).

The fair values are determined based on market exchange rates and interest rates.

Hedging derivatives -
A derivative financial instrument that seeks to achieve economic coverage of a certain risk is designated as accounting hedge if, on the date of its negotiation, it is expected that changes on its fair value or cash flows will be highly effective in offsetting changes in the fair value or cash flows of the item hedged from the inception, this expectation must be documented when the derivative instrument is first traded and throughout the period during which the hedge is in effect. A hedge is considered as highly effective if it is expected that changes in the fair value or cash flows of the hedged item and the hedging instrument ranges between 80 and 125 percent.

As of December 31, 2020 and 2019, the Bank solely held cash flow hedge instruments; see Note 8(b). For this type of hedging instruments, the effective portion of changes in the fair value of hedging derivatives is recognized directly in equity, in the caption "Unrealized results" as a cash flow hedges reserve, net of the related taxes, and any gain or loss related to the ineffective portion is recognized immediately in the statement of income. Amounts accumulated in equity for hedging cash flows are transferred to the statement of income in the periods when the hedged item is recorded in the statement of income or when an expected transaction occurs.

On the other hand, if the hedge instrument expires, is sold, settled or exerted, or at the moment that the hedge instrument does not comply with the required accounting criteria for hedges, the hedge is terminated in a prospectively manner and the balances recorded in the equity are transferred to the statement of income during the hedged item's term.

Embedded (implicit) derivatives -
Certain derivatives incorporated in other financial instruments (principal or host contract) are treated as separate derivatives when their economic characteristics and risks are not closely related to the risks of the host contract and when the host contract is not carried at fair value through profit or loss. These embedded derivatives are separated from the host instrument and are recognized at fair value in the statement of income, unless the Bank chooses to designate the hybrid contract (host and embedded derivatives) at its fair value through profit or loss.

As of December 31, 2020 and 2019, the Bank does not hold financial instruments for which embedded derivatives must be separated.

(g) Investments at fair value through profit or loss (trading), available-for-sale and held-to-maturity investments -
Investments are valuated following SBS Resolutions SBS No. 7033-2012, SBS No. 2610-2018 and amendments.

The criteria for the classification and valuation of said investments are as follows:

- Classification
    (i) Investments at fair value through profit or loss
    This category has two sub-categories:

    - Investments maintained for negotiation, which are acquired with the purpose of selling or repurchasing in the short term.
    - Investments at fair value through profit or loss, since their inception, which are part of an identified portfolio of financial instruments that are managed together and for which there has been a demonstrated recent pattern of taking gains in the short term. As of December 31, 2020 and 2019, the Bank does not hold any instruments classified under this sub-category.

(ii) Available-for-sale investments
Investments designated into this category are held for an indefinite period and may be sold for purposes of liquidity, changes in interest rates, exchange rates or cost of capital; or do not qualify to be registered as at fair value through profit or loss or held-to-maturity.

(iii) Held-to-maturity investments
The financial instruments that are classified in this category must comply with the following requirements:

- Be acquired or reclassified for the purpose of holding them until their maturity date; except for the cases when their sale, assignment or reclassification are allowed by the SBS.
- They must have risk ratings as required by the SBS.

Likewise, in order to classify their investments in this category, financial entities must assess whether they have the financial capability to hold them until their maturity. This capability must be evaluated at the closing date of each annual period.

- Initial recognition date -
Transactions must be recorded using the trading date; that is, the date at which the reciprocal obligations that must be performed within the term established by regulations and the usual practice on the market at which the operation takes place.

- Initial recognition and measurement -
(i) Investments at fair value through profit or loss - Their initial accounting is carried out at fair value, recording the transaction costs as expenses. Their valuation corresponds to the fair value and the gain or loss originated from the change between their initial recognition and the fair value is directly recorded in the statement of income.

(ii) Available-for-sale Investments - The initial accounting record is performed at fair value, including the transaction costs that are directly attributable to their acquisition. Their valuation corresponds to fair value and the gain or loss originated from the change between their initial recognition and fair value is recorded directly in equity, unless an impairment loss is recorded. When the financial instrument is sold, the gain or loss, previously recorded as a part of the equity, is transferred to the statement of income of the period.

In the case of debt securities, previously to the valuation at fair value, the amortized cost is updated in the accounts applying the effective interest rate method, and the resulting variation of the amortized cost is used for the recognition of the gains and losses due to the variation of the fair value.

(iii) Held-to-maturity investments - Their initial accounting is at fair value, including the transaction costs that are directly attributable to their acquisition. Their valuation corresponds to the amortized cost by applying the effective interest rate method.

Interests are recognized by applying the effective interest rate method, which includes both the receivable interest and the amortization of the premium or discount existing in the acquisition.

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

- Impairment assessment -
  SBS Resolution No. 7033-2012 and amendments, as well as SBS Resolution No. 2610-2018, establish a standard methodology for the identification of the impairment on available-for-sale and held-to-maturity investments. This methodology is applied quarterly to all debt-representing and equity instruments classified into the following categories:

(i) Debt instruments:
At the end of each quarter, the following occurrences must be assessed for the entire debt-representing portfolio:

1) Weakening in the financial situation or financial ratios of the issuer and of its economic group.
2) Discount in any of the credit ratings of the instrument or of the issuer, in at least two (2) notches, from the moment the instrument was acquired; where a notch corresponds to the minimum difference between two risk ratings within the same rating scale.
3) Interruption of transactions or of an active market for the financial asset, due to the issuer's financial difficulties.
4) The observable data indicates that since the initial recognition of a group of financial assets with characteristics similar to the instrument evaluated, there is a measurable decrease in its estimated future cash flows, although it cannot yet be identified with the group's individual financial assets.
5) Decrease in value due to regulatory changes (taxing, regulatory or other governmental).
6) Significant decrease in the fair value below its amortized cost. It is considered as a significant decrease if the fair value at the closing date has decreased at least 40 percent below its amortized cost as of that date.

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

The fair value to be used for assessing criteria 6 and 7 is the one considered for the valuation of available-for-sale debt instruments, according to the criteria established by the aforementioned Resolution, regardless of the accounting classification of the debt instrument. However, if the decrease in the fair value of the debt instrument is the result of an increase in the risk-free interest rate, this decrease should not be considered as a sign of impairment.

In the event that at least two (2) of the situations described above are met, it will be deemed the presence of impairment. In the event that at least two (2) of the situations described above have not occurred, it is sufficient that one of the following specific situations occur to consider the presence of impairment:

(a) Non-compliance of contractual clauses, such as interruption in the payment of interest or principal.
(b) Renegotiation of the instrument's contractual conditions due to legal factors or financial problems related to the issuer.
(c) Evidence that the issuer is in the process of forced restructuring or bankruptcy.
(d) When the risk rating of an instrument that was classified as investment grade is reduced, down to a rating that is below investment grade.

(ii) Equity Instruments:
At the end of each quarter, the following occurrences must be assessed for the entire portfolio of equity instruments:

1. When the risk rating of a debt instrument of the issuer that was classified as an investment grade is reduced, towards a classification that is below the investment grade.
2. There have been significant changes in the technological, market, economic or legal environment within which the issuer operates, which may have adverse effects on the recovery of the investment.
3. Weakness in the financial situation or financial ratios of the issuer and its economic group.
4. Interruption of transactions or an active market for the financial asset, due to financial difficulties of the issuer.

5. The observable data indicates that since the initial recognition of a group of financial assets similar to the instrument evaluated, there is a measurable decrease in its estimated future cash flows, although it cannot yet be identified with individual financial assets of the group.
6. Decrease in value due to regulatory changes (tax, regulatory or other governmental).

   In the event that at least two (2) of the situations described above are met, it will be deemed the presence of impairment. In the event that at least two (2) of the situations described above have not occurred, it is sufficient that one of the following specific situations occur to consider the presence impairment:

   (a) Significant decrease in fair value below its acquisition cost. It is considered as a significant decrease if the fair value at the closing date has decreased at least 40 percent below its cost. As cost value or acquisition cost, the initial cost will always be taken as a reference, regardless of whether a deterioration in value has been previously recognized for the equity instrument analyzed.
   (b) Prolonged decrease in fair value. It is considered as a prolonged decrease if the fair value at the closing date has decreased by at least 20 percent compared to the fair value of the previous twelve (12) months, and the fair value at the closing date of each month during the previous twelve (12) months has always remained below the acquisition cost.
   (c) Breach of the statutory provisions by the issuer, related to the payment of dividends.
   (d) Evidence that the issuer is in the process of forced restructuring or bankruptcy.

The fair value to be used for assessing the situations indicated in paragraphs a) and b), is the fair value considered for the purposes of the valuation of the available-for-sale equity instruments, in accordance with the guidelines established in the aforementioned Resolution. The aforementioned numerals a) and b) are not applicable to equity instruments classified in the category available-for-sale and valued at cost due to the absence of a reliable fair value.

On the other hand, if the SBS considers necessary to establish any additional provision for any type of investment, such provision must be determined on the basis of each individual instrument, and must be recorded in the statement of income of the period in which the SBS requires such provision.

- Recognition of exchange differences -
  Any gains or losses from currency exchange differences related to the amortized cost of debt instruments are recorded in the statement of income, while those related to the

difference between the amortized cost and the fair value are recorded in the statements of shareholders' equity as part of the unrealized results. In the case of equity instruments, they are considered non-monetary items and, consequently, they remain at their historical cost in local currency, which means that any exchange differences are part of their valuation and are recognized as part of the unrealized results in the statements of shareholders' equity.

- Changes in classification category -
  In the case of changes in the classification category from available-for-sale investments to held-to-maturity investments, the fair value of the financial asset on the date of transaction becomes its new amortized cost. Any previous gain or loss of the asset that has been recognized in other comprehensive income shall be amortized over the remaining life of the investment using the effective interest method. Any difference between the new amortized cost and maturity amount shall be amortized using the interest rate method during the life of the financial instrument in a similar manner as the amortization of a premium or discount. If the asset subsequently becomes impaired, any gain or loss remaining in other comprehensive income shall be reclassified to profit or loss. During the year 2020 and 2019, the Bank did not perform any reclassifications.

- Derecognition of financial assets and liabilities -
  Financial assets
  A financial asset (or, when applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognized when: (i) the rights to receive cash flows from the asset have expired; or (ii) the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and (iii) either the Company has transferred substantially all the risks and rewards of the asset, or the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

  Financial liabilities
  A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as a derecognition of the original liability and a new liability is recognized, the difference between the carrying amount of the original and the new financial liability is recognized in the statement of income.

(h) Investments in Subsidiaries and associates -
This category includes only securities representing the capital acquired with the purpose of holding equity participation, control and/or significant influence in other entities or institutions.

These investments are initially accounted at fair value, including the transaction costs that are directly attributable to their acquisition. Subsequently to their original registration, these investments are measured through the equity method. In the case of investments quoted on security exchanges, when their market value shows a decreasing tendency for reasons considered non-temporary, the Bank records a provision; nonetheless, the SBS can require additional provisions. According to the equity method, dividends declared by the Subsidiaries and paid in cash are recorded by decreasing the value of the investment.

(i) Property, furniture and equipment -

Property, furniture and equipment are recorded at acquisition cost, plus the voluntary revaluations performed in previous years, authorized by the SBS, less accumulated depreciation. Considering that said revaluation was carried out only once, there is no intention that the revalued assets are reported at their fair value; therefore, the revalued value is considered as cost of acquisition.

Depreciation is calculated on a straight-line basis, considering the following depreciation rates for each type of asset:

	Depreciation rate (%)
Buildings and facilities	3 – 10
Furniture and equipment	10 – 20
Vehicles	20

The depreciation of leasehold improvements is performed within the respective contracts' terms.

In-transit equipment and work-in-progress amounts are accounted for at cost, which includes facilities, furniture and equipment in transit or under construction. This includes the acquisition or construction cost together with other costs directly attributable to the asset. These assets are not depreciated until the relevant assets are received or finished and placed into service.

Maintenance and repair costs are recorded as expenses. Renewals and improvements are capitalized only when these disbursements enhance the asset's condition. The cost and accumulated depreciation of assets sold or disposed are eliminated from the corresponding accounts and the related gain or loss is recorded in the statement of income.

(j) Assets received as payment and seized through legal actions -
Assets received as payment and seized through legal actions include assets acquired with the specific purpose of being granted as leasing loans, are initially recorded at their acquisition cost; assets that are not granted in financial leases are recorded at cost or market value, whichever the lowest.

Assets received as payment, seized through legal action and recovered (provided from terminated leasing contracts) are initially recorded at the value assigned to them through a legal proceeding, out-of-court settlement, market value or at the unpaid value of the debt, whichever the lowest, recognizing simultaneously, a provision equivalent to 20 percent of the assigned value. For this purpose, it is permitted to maintain the provision for loan losses that was originally provided for the related loan.

Subsequently, additional provisions are to be recorded using the following criteria:

- Non-real estate assets: A monthly provision equivalent to one twelfth of the book value of the asset will be recognized starting from the first month of seizure or recovery, until reaching one hundred percent of the value of the seized or recovered asset.

- Real estate assets: A monthly provision over the net book value will be provided starting from the twelfth month. Additionally, the SBS Resolution No. 1535-2005 allows the granting of an extension of six months, in which case uniform monthly provisions must be provided for at the end of each month over the net book value obtained in the eighteenth month. In both cases, the provisions are to achieve one hundred percent of the net book value in a period of three and a half years, counted from the date on which it began to be the monthly provisions.

  An annual update of the market value of seized assets, determined by an independent appraiser, implies, if necessary, the constitution of an impairment provision.

As of December 31, 2020 and 2019, the balance of assets received as payment and seized through legal actions, net of provisions, amount to approximately S/15,870,000 and S/15,967,000, respectively, and are presented in the caption "Other assets, net - Others" of the statement of financial position.

(k) Intangible assets with finite useful lives -
The intangible assets with finite useful lives that are included in the "Other assets, net" caption of the statement of financial position are related to the acquisition of computer software used by the Bank in its operations and other minor intangible assets. Amortization of assets with finite useful life is calculated following the straight-line method over a 5-year period; see Note 8(f).

(l) Securities, bonds and obligations outstanding -
The liabilities from the issuance of outstanding securities, bonds and obligations are accounted for at their nominal value, recognizing accrued interest in the statement of income. The discounts granted or incomes generated for its placement are deferred and presented net of its issue value and are amortized over the life of the securities, bonds and obligations outstanding by applying the effective interest method.

(m) Income Tax -
Current Income Tax is computed based on the taxable income determined for tax purposes, which is determined using criteria that differ from the accounting principles used by the Bank.

Therefore, the Bank has recorded deferred income taxes, considering the guidelines of IAS 12 “Income Tax”. The deferred Income Tax reflects the effects of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts determined for tax purposes. Deferred assets and liabilities are measured using the tax rates expected to be applied to taxable income in the years when temporary differences are expected to be recovered or settled. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences which arise from the way in which the Bank expects to recover or eliminate the carrying amount of its assets and liabilities at the statement of financial position dates.

Deferred tax assets and liabilities are recognized regardless of when the temporary differences are likely to reverse. Deferred tax assets are recognized when it is probable that sufficient taxable income will be generated against which the deferred tax assets can be offset. At the date of each statement of financial position, Management evaluates the non-recognized deferred assets and the carrying amount of the recognized deferred tax assets, recording deferred assets not previously recognized to the extent that probable future tax benefits will allow their recovery, or reducing a deferred asset to the extent that it is not likely that future tax benefits will be sufficient to allow the use of part or all of the deferred assets previously recognized.

In accordance with IAS 12, the Bank determines its deferred tax considering the tax rate applicable to its non-distributed earnings; any additional tax on dividends distribution is recorded on the date a liability is recognized.

(n) Impairment of long-lived assets -
When there are events or economic changes which indicate that the value of property, furniture and equipment and intangible assets may not be recoverable, Management reviews those asset values in order to verify that there is no permanent impairment in their values. When the book value of the asset exceeds its recoverable value, an impairment loss is recognized in the statement of income. The recoverable value is the higher between the net selling price and its value in use. The net selling price is the amount that can be obtained from the sale of an asset on a free market, while the value in use is the present value of the estimated future cash flows from the continuous use of an asset and its disposal at the end of its depreciation period. In

Management's opinion, there is no evidence of impairment of said assets as of December 31, 2020 and 2019.

(o) Fiduciary operations -
Assets and revenues from fiduciary operations in which there is a commitment to return such assets to a customer and in which the Bank participates as a fiduciary, have been excluded from these financial statements because the Bank is not owner of such assets and cash flow and does not assume the risk and rewards that arise from their ownership; thus, they have been recorded, for fiduciary control purposes, as off-balance sheet accounts.

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

(q) Contingencies -
Contingent liabilities are not recorded in the financial statements. They are disclosed in the Notes to the financial statements, unless the possibility of an outflow of economic benefits is remote.

Contingent assets are not recognized in the financial statements; however, they are disclosed when their contingency degree is probable.

(r) Earnings per share -
Basic and diluted earnings per share are calculated by dividing the net income by the weighted average number of shares outstanding at the statement of financial position dates, deducting treasury's stock. Shares that are issued due to the capitalization of retained earnings are deemed to be stock-splits; therefore, such shares have been considered as if they had always been outstanding; Note 21.

As of December 31, 2020 and 2019, the Bank has no financial instruments with dilutive effects; therefore, basic and diluted earnings per share are the same.

(s) Repurchase agreements -
Through SBS Resolution No. 5790-2014, in force since September 3, 2014, the SBS approved the "Regulation for Repo Transactions Applicable to Financial Entities". This Resolution allows the performance of sales operations with repurchase agreements, simultaneous operations of sale and purchase of securities and operations of temporary transfer of securities; also, it establishes the accounting criteria applicable to these transactions.

The operations of currency repos performed by the Central Reserve Bank of Peru (henceforth "BCRP", by its Spanish acronym) are considered in accordance with the Circular Letter No. 002-2015-BCRP.

As of December 31, 2020 and 2019, the Bank holds currency and security repo transactions, according to the definition of the BCRP, where the Bank acts as selling party. Accordingly, the funds in foreign currency and the securities delivered as guarantees are included in the captions "Cash and due from banks – Restricted funds", "Available-for-sale investments" and "held-to-maturity investments", respectively, while the corresponding liabilities are presented in the "Payables from repurchase agreements" caption of the statement of financial position, reflecting the economic substance of the transaction as a loan received by the Bank.

On the other hand, as of December 31, 2019, the Bank held repurchase agreements, according to Resolution SBS No. 5790-2014, where the Bank acts as buyer. Consequently, the cash outflow for the loan granted is presented as "Accounts receivable for repurchase agreements" in the caption "Other assets, net" of the statement of financial position; securities provided as guarantee are recorded in the off-balance sheets for their control; see Note 8(e).

Lastly and as part of the exceptional measures implemented to mitigate the financial and economic impact being generated by the Covid-19 pandemic, see Notes 1(b) and 2(a)(ii)(g), the BCRP issued Circular Letter No.0014-2020-BCRP, which entered into force on April 3, 2020, regarding the loan portfolio repurchase agreements. In this sense, the SBS issued Official Multiple Letters No.11518-2020 and No.12791-2020, on April 7 and May 8, 2020, respectively; said Official Multiple Letters provide with the accounting treatment of said operations, in this sense, the loan portfolio shall not be derecognized and provisions shall keep being constituted for the portfolio subject to the repurchase agreements.

As of December 31, 2020, the Bank holds loan portfolio repurchase agreements represented by securities, according to the BCRP's definition, where the Bank acts as selling party. Consequently, the loan portfolio pledged as guarantee is presented in the caption "Loan portfolio, net", whereas the corresponding liability is presented in the caption "Accounts payable for repurchase agreements" of the statement of financial position, thus reflecting the economic substance as a loan received by the Bank.

(t) Cash and cash equivalents -

Cash and cash equivalents presented in the statement of cash flows correspond to "Cash and due from banks" of the statement of financial position, which include deposits with less than a three-month maturity as of the acquisition date, BCRP time deposits, funds deposited in central banks and overnight deposits, excluding the interest accrued as well as restricted funds.

(u) Financial statements as of December 31, 2019 and 2018 -

When necessary, certain comparative figures have been reclassified to make it comparable to the current year presentation.

(v) New pronouncements -

(v.1) IFRS issued and effective in Peru as of December 31, 2020:

During the year 2020, the Consejo Normativo de Contabilidad (Peruvian Accounting Council, henceforth "CNC", by its Spanish acronym) issued the following resolutions, which formalized the following standards:

- Resolution No.001-20120-EF/30 issued on July 17, 2020, which officialized the amendments to IAS 1 "Presentation of Financial Statements" and the complete set of International Financial Reporting Standards – 2020 Version, which includes the Conceptual Framework for Financial Reporting and the Amendment to IFRS 16 "Leases: Covid-19 Related Rent Concessions".

- Resolution No.002-2020-EF/30 issued on September 10, 2020, which officialized the amendments to IAS 16 "Property, Plant and Equipment", IFRS 3 "Business Combinations", IFRS 4 "Insurance Contracts", IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments" and IAS 41 "Agriculture".

- Resolution No.003-2020-EF/30 issued on September 11, 2020, which officialized the International Financial Reporting Standard for Small and Medium Entities (IFRS for SMEs) amended in 2015.

The application of these standards begins the following day of the issuance of each resolution or after, as stipulated in each specific standard.

Likewise, IFRS 16 "Leases" entered into effect in the year 2019, superseding IAS 17 "Leases", IFRIC 4 "Determining Whether an Arrangement Contains a Lease", SIC 15 "Operating Leases-Incentives" and SIC 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease"; which has important effects on the recognition of operating leases where the Bank is the lessee. However, the SBS issued the Multiple Official Letter No. 467-2019-SBS dated January 7, 2020, indicating the non-application of IFRS 16 for entities under its supervision. In that sense, as of December 31, 2020, the Bank has nor included the effects of this standard neither disclosed any effect if this standard was adopted by the SBS in the future.

Likewise, in 2018, IFRS 9 "Financial Instruments" came into force, replacing IAS 39 "Financial Instruments: Recognition and Measurement", and may have material effects in the Bank's financial statements; however, the SBS has not modified or adapted its Accounting Manual for Financial Systems Companies for this standard. In this sense, as of December 31, 2020, the Bank has not reflected or disclosed any effect if this standard was adopted by the SBS in the future.

(v.2) IFRS issued internationally but not in force as of December 31, 2020:

- IFRS 17 "Insurance Contracts" is effective for reporting periods beginning on or after January 1, 2023, with the presentation of comparative figures required. Early adoption is permitted, considering that the entity also adopts IFRS 9 and IFRS 15 on the date that it adopts IFRS 17 for the first time.

- Amendments to IAS 1 "Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current". The amendments are effective for annual periods beginning on January 1, 2023, and must be applied in a retrospective manner.

- Amendments to IFRS 3 "Business Combinations: References to the Conceptual Framework". The amendments are effective for annual periods beginning on January 1, 2022, and are of prospective application.

- Amendments to IAS 16 "Property, Plant and Equipment: Proceeds Before Intended Use". The amendments are effective for annual periods beginning on January 1, 2022, and must be applied retrospectively to property, plant and equipment available for use on or after the beginning of the earlier period presented when the entity first applies the amendment.

- Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract". The amendments are effective for annual periods beginning on or after January 1, 2022. The entity shall apply these amendments to agreements that have not comply in their entirety with all their obligations at the beginning of the annual reporting period in which the amendments are applied for the first time.

- IFRS 1 "First-time Adoption of International Financial Reporting Standards – Subsidiary as a First-time Adopter". The amendment is effective for annual periods beginning on January 1, 2022, with early adoption permitted.

- IFRS 9 "Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities". The amendment is effective for annual reporting periods beginning on or after January 1, 2022, with early adoption permitted. The entity shall apply the amendments to financial liabilities that are modified or exchanged at or after the beginning of the annual reporting period in which the entity first applies the amendment.

- Amendments to IAS 41 "Agriculture: Taxation in Fair Value Measurements". The entity shall apply the amendment prospectively to fair value measurements at or after the beginning of the first annual period starting on January 1, 2022, with early adoption permitted.

Given that the standards detailed in (v.1) and (v.2) solely apply in a supplementary manner to the accounting regulation established by the SBS, they will not have any significant effect on the preparation of the accompanying financial statements, unless the SBS adopts them in the future through the modification of its Accounting Manual for Entities of the Financial System or the issuance of specific rules thereon. The Bank has not estimated the effect on its financial statements if such rules were adopted by the SBS.

3. Cash and due from banks

(a) The balances maintained by the Bank are shown below:

	2020 S/(000)	2019 S/(000)
Cash and clearing (b)	2,152,382	1,871,874
Deposits in the Central Reserve Bank of Peru (b)	14,102,067	5,861,570
Deposits in local and foreign banks (c)	827,377	769,569
Accrued interest	216	3,153
Total cash and cash equivalents	17,082,042	8,506,166
Restricted funds (d)	616,617	1,270,341
Total	17,698,659	9,776,507

(b) Available funds include the mandatory reserve that the Bank must maintain for its obligations with the public, and are within the limits established by prevailing legislation. The balances maintained by the Bank are shown below:

	2020 S/(000)	2019 S/(000)
Legal reserve (*)		
Deposits in the Central Reserve Bank of Peru (BCRP)	4,603,067	4,998,770
Cash in vault	1,958,921	1,757,917
Subtotal related to legal reserve	6,561,988	6,756,687
Non-mandatory reserve		
Time deposits in the Central Reserve Bank of Peru (BCRP) (**)	9,499,000	-
Overnight deposits in the Central Reserve Bank of Peru (BCRP)	-	862,800
Cash and clearing	193,461	113,957
Subtotal related to non-mandatory reserve	9,692,461	976,757
Total	16,254,449	7,733,444

(*) The legal reserve corresponds to the funds deposited in the vaults of the Bank and the Central Reserve Bank of Peru (henceforth "BCRP", by its Spanish acronym), and remains within the limits required by current regulation.

The reserve funds that represent the minimum legal reserve do not earn interest; however, the excess of the legal reserve deposited in the BCRP earns interest at a nominal rate established by the BCRP. As of December 31, 2020, the monthly excess in foreign currency accrued interests in US dollars at an annual average rate of 0.01 percent (accrued interests in US dollars at an annual average rate of 1.25 percent as of December 31, 2019).

(**) As of December 31, 2020, correspond to 6 term deposits in local currency that the Bank holds in the BCRP, have maturity in the first days of January 2021, and accrue an annual interest rate of 0.25 percent.

(c) Deposits in local and foreign Banks correspond mainly to balances in soles and US dollars, are unrestricted and earn interest at market rates.

(d) The Bank maintains restricted funds related to:

	2020	**2019**
	S/(000)	S/(000)
Repurchase agreements with the BCRP (*)	542,922	1,208,506
Derivative financial instruments, Note 8(b)	70,559	57,816
Other	3,136	4,019
Total	616,617	1,270,341

(*) As of December 31, 2020, correspond to deposits in the BCRP, which accrue interest at effective rates between 0.10 and 0.26 percent; which guarantee loans from this entity for S/532,656,000. Said loans have maturities between March 2021 and 2022, and accrued interest at effective rates between 2.74 and 3.46 percent (accrued interest at effective rates between 1.71 and 2.55 percent and guaranteed loans for S/1,217,919,000 which had maturities between March and July 2020, and effective rates between 3.00 and 4.15 percent, as of December 31, 2019).

(e) Inter-bank funds -

As of December 31, 2020, inter-bank funds had maturity in the first days of January 2021, and an annual rate of 0.25 percent in foreign currency (maturity in the first days of January 2020, and annual rate of 2.26 percent in local currency as of December 31, 2019) and did not have specific guarantees.

As of December 31, 2020, the liabilities inter-bank funds had maturity in the first days of January 2021, and an annual rate of 0.25 percent in foreign currency (maturity in the first days of January 2020 and annual rate of 2.25 percent in local currency and 1.75 percent in foreign currency) and did not have specific guarantees.

4. **Available-for-sale and held-to-maturity investments**

(a) The detail of available-for-sale investments are as follows:

	2020				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)
Sovereing Bonds of the Republic of Peru (b)	3,271,751	207,641	(153)	3,479,239	1,075,746	29,863	(369)	1,105,240
Negotiable Deposit Certificates issued by the Central Reserve Bank of Peru - BCRP	1,279,644	4,087	(5)	1,283,726	1,481,962	1,533	(1)	1,483,494
Corporate and financial bonds (c)	533,460	15,387	-	548,847	585,727	6,168	(144)	591,751
Global Bonds of the Republic of Peru	491,791	9,189	-	500,980	-	-	-	-
Global Bonds of the Republic of Colombia	157,405	2,454		159,859	114,431	551	-	114,982
Negotiable Deposit certificates - Bancolombia Panama S.A.	-	-	-	-	33,140	94	-	33,234
Total	5,734,051	238,758	(158)	5,972,651	3,291,006	38,209	(514)	3,328,701
Listed shares								
Intercorp Financial Services Inc. (IFS) (d)	2,169	95	-	2,264	-	-	-	-
Other	81	38	-	119	74	73	-	147
Non-listed shares	1,045	749	-	1,794	957	685	-	1,642
	3,295	882	-	4,177	1,031	758	-	1,789
	5,737,346	239,640	(158)	5,976,828	3,292,037	38,967	(514)	3,330,490
Add								
Accrued interest				91,859				32,251
Total				6,068,687				3,362,741

(b) As of December 31, 2020, the Bank hold loans with the BCRP for approximately S/302,453,000, including interest, which are guaranteed by Sovereign Bonds of the Republic of Peru classified as restricted for approximately S/320,713,000. Said loans have maturities between April 2021 and April 2023, and accrue interest at effective rates between 0.56 and 1.78 percent.

(c) Below is the detail of corporate and financial bonds:

	2020 S/(000)	2019 S/(000)
Peruvian issuers -		
Banco de Crédito del Perú S.A.	142,785	42,039
Banco BBVA Perú S.A.	139,501	122,861
Corporación Financiera de Desarrollo S.A.	61,635	78,622
Fondo MiVivienda S.A.	38,134	19,989
Cerro del Águila S.A.	21,443	26,324
Corporación Lindley S.A.	15,584	28,936
Redesur y Tesur – Patrimonio titulizado	14,391	13,707
Intercorp Financial Services Inc.	7,650	8,453
Gas Natural de Lima y Callao S.A.	5,754	5,159
Compañía Minera Milpo S.A.A.	-	22,486
Orazul Energy Egenor S. en C. por A.	-	14,260
Other	3,482	10,060
Foreign issuers -		
Corporación Andina de Fomento - CAF	22,259	-
Bank of America Corp.	19,794	-
Goldman Sachs Group Inc.	19,122	-
Banco Santander Chile	16,834	6,143
Citigroup Inc.	10,889	-
Bancolombia S.A.	5,647	40,939
BBVA Bancomer S.A.	3,943	10,578
Continental Senior Trustees Ltd.	-	125,195
Banco Latinoamericano de Comercio Exterior	-	16,000
Total	548,847	591,751

(d) As of December 31, 2020, it includes 19,000 shares of IFS at their market values, which amounted to US$32.35 per share and represents 0.02 percent of IFS capital stock at said date.

In July 2019, the Bank sold through an Initial Public Offering ("Offering"), led by IFS, the entirety of common shares held by IFS at said date at their market value, for approximately US$91,367,000 (equivalent to approximately S/300,688,000) generating a profit for approximately S/129,302,000, which was recorded in the caption "Income from sale and valuation of investments, net" of the statement of income; see Note 18.

In January 2018, the Bank sold through the Lima Stock Exchange 3,009,490 shares at their market values for approximately US$121,133,000 (equivalent to approximately S/389,565,000), generating a profit for approximately S/114,410,000, which was recorded in the caption "Income from sale and valuation of investments, net" of the statement of income; see Note 18.

(e) As of December 31, 2020 and 2019, Management has estimated the fair value of the available-for-sale investments based on market quotations, and if not available, based on discounted cash flows using market rates that reflect their credit rating.

(f) As a result of the assessment of impairment on available-for-sale investments, the Bank did not recognize any loss during the years 2020, 2019 and 2018.

Management has determined that the unrealized losses as of December 31, 2020 and 2019, are of temporary nature. The Bank has the intention and the ability to hold each of these investments for a period of time sufficient to allow a recovery in the fair value or until the maturity date.

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

	Maturity		Annual market rates							
	2020	2019	2020				2019			
			S/		US$		S/		US$	
			Min %	Max %	Min %	Max %	Min %	Max %	Min %	Max %
Sovereign Bonds of the Republic of Peru	Ago-24 / Ago-37	Ago-24 / Ago-40	1.07	4.73	-	-	2.50	5.18	-	-
Negotiable Deposit Certificates issued by the Central Reserve Bank of Peru - BCRP	Ene-21 / Mar-23	Ene-20 / Jun-21	0.25	2.28	-	-	2.15	3.04	-	-
Corporate and financial bonds	Nov-21 / Abr-30	Ene-20 / Abr-30	7.28	7.28	1.17	4.97	7.28	7.28	2.30	9.00
Global Bonds of the Republic of Peru	Jul-25 / Dic-32	-	-	-	1.36	1.86	-	-	-	-
Global Bonds of the Republic of Colombia	Jul-21 / Feb 24	Jul-21 / Mar 23	-	-	1.57	2.26	-	-	2.19	2.77
Negotiable Deposit certificates - Bancolombia Panama S.A.	-	Set 20	-	-	-	-	-	-	2.80	2.80

(h) As of December 31, 2020 and 2019, held-to-maturity investments are entirely comprised of Peruvian Sovereign Bonds amounting to S/2,692,166,000 and S/2,191,854,000, respectively, including accrued interests to S/56,368,000 and S/46,211,000, respectively.

As of December 31, 2020, these investments have maturities between September 2023 and August 2037, have accrued interest at effective annual rates between 4.29 percent and 5.15 percent, and their estimated fair value amounts to approximately S/2,988,539,000 (as of December 31, 2019, the maturity fluctuated between September 2023 and August 2037, which accrued interest at an annual effective rate between 4.29 and 6.26 percent, and their estimated fair value amounted to approximately S/2,328,3030,000).

During the year 2019, the Government of the Republic of Peru made a public offering to buyback certain sovereign bonds in order to renew its debt and finance the fiscal deficit. Although SBS Resolution No. 7033-2012 establishes that any sale or transfer of held-to-maturity investments binds financial institutions to reclassify all instruments of this category into available-for-sale investments. On December 5, 2018, the SBS issued the Multiple Official Letter No. 4300-2018-SBS authorizing financial entities to take part in said offering, regardless the classification category assigned to said instruments, having into consideration the purpose of the buyback performed by the Republic of Peru. In that sense, the Bank took part in the public offering and sold the Government of the Republic of Peru sovereign bonds, classified as held-to-maturity investments, for approximately S/340,518,000, generating a gain of S/9,236,000, which was recorded in the caption "Income for sale and valuation of investments, net" of the statement of income; see Note 18. Likewise, with the purpose of keeping its strategy of assets management, the Bank simultaneously acquired sovereign bonds of the Republic of Peru for approximately S/340,432,000, and classified them as held-to-maturity investments.

From the year 2015 to 2018, the Bank reclassified Sovereign Bonds of the Republic of Peru classified as available-for-sale investments into held-to-maturity investments, which accumulated an net unrealized loss in equity for S/25,850,000. According to accounting requirements by the SBS, said net unrealized loss must be transferred to statement of income during the remaining term of the instruments. In that sense, the Bank recorded in the statement of income, as of December 31, 2020, 2019 and 2018, a net loss of approximately S/2,012,000, S/5,617,000 and S/2,860,000, respectively. The balance of the accumulated unrealized loss in equity, as of December 31, 2020, is S/8,687,000 (S/10,699,000 as of December 31, 2019).

As of December 31, 2020 and 2019, the Bank maintains loans with the BCRP for approximately S/1,038,127,000 and S/719,099,000, respectively, including interest, which are guaranteed with Sovereign Bonds of the Republic of Peru classified as restricted for approximately S/1,071,740,000 and S/762,347,000, respectively; said loans have maturities between March 2021 and July 2024 and April 2020 and July 2020, respectively, and accrued interest at effective rates between 0.50 and 2.92 percent and 3.03 and 4.72 percent, respectively.

(i) The table below presents the balance of available-for-sale and held-to-maturity investments as of December 31, 2020 and 2019, classified by contractual maturity (without considering accrued interest):

	2020		2019	
	Available-for-sale investments S/(000)	**Held-to-maturity investments** S/(000)	**Available-for-sale investments** S/(000)	**Held-to-maturity investments** S/(000)
Up to 3 months	993,238	-	614,387	-
More than 3 months to 1 year	188,848	-	1,002,799	-
More than 1 to 5 years	1,616,709	1,140,249	1,057,970	1,147,700
More than 5 years	3,173,856	1,495,549	653,545	997,943
Shares (without maturity)	4,177	-	1,789	-
Total	5,976,828	2,635,798	3,330,490	2,145,643

5. Loan portfolio, net

(a) The table below presents the components of this caption:

	2020 S/(000)	2019 S/(000)
Direct credits		
Loans (*)	22,095,630	14,828,820
Mortgage loans for housing	7,409,698	6,935,219
Credit card	4,465,462	5,873,856
Loans for foreign trade	1,814,840	2,590,371
Cash loans	1,678,649	1,879,496
Financial leasing	1,211,324	1,533,395
Factoring operations	571,994	374,192
Discounted documents	468,665	686,164
Vehicle loans	141,480	180,627
Overdrafts and advances in current account	36,698	84,163
Refinanced credits	287,119	251,180
Past due loans and judicial collection	1,412,296	948,422
	41,593,855	36,165,905
Plus (minus)		
Accrued income from current loans (g)	300,698	280,287
Accrued interest and interest charged in advance	(34,685)	(32,954)
Provision for doubtful collection credits (f)	(2,856,529)	(1,674,006)
Total direct credits	39,003,339	34,739,232
Indirect credits (d), Note 15(a)	4,609,233	4,223,478

(*) As of December 31, 2020, the Bank holds loans with the BCRP for approximately S/5,902,540,000, including interests, which are guaranteed by commercial loans to small and micro-businesses for approximately S/5,887,938,000. Said loans have maturities between May 2023 and December 2023, and accrue interest at effective rates between 0.50 and 0.51 percent

As of December 31, 2020, 51 percent of the balance of the direct and indirect commercial loan portfolio was concentrated in approximately 126 clients (86 clients as of December 31, 2019). Loans were mainly granted to entities and individuals domiciled in Peru or to entities whose shareholders invest mainly in Peru.

In July 2019, the Bank acquired at a nominal value a commercial loan from Sumitomo Mitsui Banking Corporation for an amount of S/164,950,000. Also, it was recorded a provision for doubtful account amounting to S/1,903,000, pursuant to the SBS requirements.

(b) As mentioned in Note 2(a)(ii), the SBS issued Resolutions with the purpose of (i) reschedule loans, generating that these loans are not presented as past due nor refinanced, provided they present a maximum of 30 days past due as of February 29,2020; and (ii) suspend until August 31, 2020, the counting of past due days for clients that had more than 15 past due days as of February 29, 2020, and that had not rescheduled their loans.

As of December 31, 2020, the reschedulings granted as mentioned in Note 2(a)(ii) have generated that for accounting purposes these loans are not impaired for changes in their payment schedules and/or grace periods granted; however, Bank´s Management has identified an increase in the credit risk of these clients due to the Covid-19 pandemic; thus, it has decided to constitute voluntary provisions to face this increase in credit risk for an amount of S/637,491,000; on the other hand, if the counting of the past due days of clients had not been suspended, as indicated in (b)(ii) above, the required provision for these clients would have amounted to S/65,739,000 as of December 31, 2020. It is worth mentioning that this amount is also covered by voluntary provisions additional to that mentioned before which were constituted by the Bank for this purpose as permitted by the SBS; see (f) above.

(c) The table below presents the loan portfolio by type of loan:

	2020 S/(000)	2019 S/(000)
Commercial loans	20,364,698	15,373,323
Customer loans	11,531,450	12,821,567
Mortgage loans	7,754,812	7,220,889
Small and micro-business loans	1,942,895	750,126
Total	41,593,855	36,165,905

Additionally, below is the rescheduled credit balance as of December 31, 2020, see note 2(a)(ii), according to its classification:

	2020 S/(000)
Commercial loans	2,633,051
Customer loans	4,727,916
Mortgage loans	2,806,941
Small and micro-business loans	321,388
Total	10,489,296

(d) As of December 31, 2020 and 2019, the credit risk classification of the Bank's loan portfolio according to SBS standards, is as follows:

	2020					
Risk category	Direct Loans		Indirect Loans		Total	
	S/(000)	%	S/(000)	%	S/(000)	%
Normal	38,252,985	92.0	4,216,106	91.5	42,469,091	91.9
With potential problem	724,158	1.7	173,464	3.8	897,622	1.9
Substandard	701,991	1.7	184,129	4.0	886,120	1.9
Doubtful	783,929	1.9	6,644	0.1	790,573	1.7
Loss	1,130,792	2.7	28,890	0.6	1,159,682	2.6
	41,593,855	100.0	4,609,233	100.0	46,203,088	100.0

	2019					
Risk category	Direct Loans		Indirect Loans		Total	
	S/(000)	%	S/(000)	%	S/(000)	%
Normal	33,754,570	93.3	3,976,832	94.2	37,731,402	93.4
With potential problem	556,049	1.5	147,889	3.5	703,938	1.7
Substandard	530,142	1.5	56,259	1.3	586,401	1.5
Doubtful	577,304	1.6	6,625	0.2	583,929	1.5
Loss	747,840	2.1	35,873	0.8	783,713	1.9
	36,165,905	100.0	4,223,478	100.0	40,389,383	100.0

(e) As of December 31, 2020 and 2019, financial entities in Peru must constitute provisions for loan losses considering the risk classification mentioned above and using the percentages indicated by SBS Resolution No. 11356-2008 and No. 6941-2008, as detailed below:

(i) Loans classified into the "Normal" category

Loan types	Fixed-rate %	Pro-cyclical component (*) %
Commercial loans -		
Corporate	0.70	0.40
Large-business	0.70	0.45
Medium-business	1.00	0.30
Small and micro-business loans -		
Small-business	1.00	0.50
Micro-business	1.00	0.50
Mortgage -	0.70	0.40
Consumer loans		
Revolving consumer loans	1.00	1.50
Non-revolving consumer loans	1.00	1.00

(*) In case the loan has highly liquid preferred guarantees (LWHLPG), the pro-cyclical component shall be, 0 percent, 0.25 percent or 0.30 percent, depending on the loan type.

Through Circular Letter No. B-2224-2014, dated November 27, 2014, the SBS informed to the financial entities of the deactivation of the pro-cyclical component rates for the provision for direct and indirect loans of debtors classified as "Normal". As of December 31, 2020 and 2019, the pro-cyclical component of the provision is desactivated; however, at said dates, the Bank holds pro-cyclical provisions amounting to S/139,772,000 and S/136,840,000, respectively, which have not been assigned to a specific provision.

(ii) For debtors classified as "with potential problems", "Substandard", "Doubtful" or "Loss" depending on whether the loans are: Loans Without Guarantees (LWG), Loans With Preferred Guarantees (LWPG) Loans With Readily Preferred Guarantees (LWRPG) or Loans with Highly Liquid Preferred Guarantees (LWHLPG), as of December 31, 2020 and 2019, the following percentages are applied:

Risk category	LWG %	LWPG %	LWRPG %	LWHLPG %
With 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 provision requirement depends on the classification of the respective counterparty, for the amount covered, regardless of the debtor's credit risk classification, applying the percentages indicated above.

As of December 31, 2020, the Bank holds loans of the "Reactiva Perú" program for an amount of S/6,659,790,000, including accrued interest amounting to approximately S/44,021,000, which are partially guaranteed by the Peruvian Government for an amount of S/5,855,826,000. According to the Official Multiple Letter No.1314-2020 issued by the SBS, the provision for credit risk for these loans for the part guaranteed by the Peruvian Government is 0 percent; as of December 31, 2020, 99.8 percent of these loans present a risk category classified as "Normal".

(f) The changes in the provision for loan losses (direct and indirect) were as follows:

	2020				
	Commercial S/(000)	Mortgage S/(000)	Consumer S/(000)	Small and micro-business S/(000)	Total S/(000) (*)
Balance at the beginning of the year	485,150	300,230	908,812	63,299	1,757,491
Provision recognized as year expense, net of recovery of written-off balances	177,181	89,200	1,757,475	119,734	2,143,590
Provision recoveries	(67,590)	(36,713)	(31,520)	(12,035)	(147,858)
Recovery of written-offs	1,756	-	100,762	3,879	106,397
Written-off portfolio and sales	(27,817)	(4,350)	(868,118)	(25,672)	(925,957)
Exchange difference, net	17,252	6,903	2,601	249	27,005
Balance at the end of the year	585,932	355,270	1,870,012	149,454	2,960,668

	2019				
	Commercial S/(000)	Mortgage S/(000)	Consumer S/(000)	Small and micro-business S/(000)	Total S/(000) (*)
Balance at the beginning of the year	472,820	283,947	771,169	61,173	1,589,109
Provision recognized as year expense, net of recovery of written-off balances	195,904	37,784	796,175	52,435	1,082,298
Provision recoveries	(151,648)	(14,594)	(2,128)	(2,605)	(170,975)
Recovery of written-offs	968	-	130,184	5,316	136,468
Written-off portfolio and sales	(29,801)	(5,427)	(785,861)	(52,979)	(874,068)
Exchange difference, net	(3,093)	(1,480)	(727)	(41)	(5,341)
Balance at the end of the year	485,150	300,230	908,812	63,299	1,757,491

	2018				
	Commercial S/(000)	Mortgage S/(000)	Consumer S/(000)	Small and micro-business S/(000)	Total S/(000) (*)
Balance at the beginning of the year	347,514	248,139	759,318	57,801	1,412,772
Provision recognized as year expense, net of recovery of written-off balances	283,860	40,932	612,867	48,369	986,028
Provision recoveries	(138,764)	(5,915)	(31,400)	(6,448)	(182,527)
Recovery of written-offs	1,163	-	140,049	4,374	145,586
Provision from the portfolio acquired to Bancolombia and Itaú CorpBanca, Note 5(a)	6,642	-	-	-	6,642
Written-off portfolio and sales	(34,425)	(2,689)	(710,982)	(43,083)	(791,179)
Exchange difference, net	6,830	3,480	1,317	160	11,787
Balance at the end of the year	472,820	283,947	771,169	61,173	1,589,109

(*) The balance of the provision for loan losses includes the provision for indirect loans and for credit risk associated with over-indebtedness for approximately S/104,139,000 and S/83,485,000 as of December 31, 2020, and 2019 respectively, which is presented in the caption "Provisions and other liabilities" of the statement of financial position; see Note 8(a).

As of December 31, 2020, due to the Covid-19 pandemic described in Note 1(b) and considering the new regulations mentioned in Note 2, Bank´s Management decided to record the voluntary provisions permitted by the SBS for S/703,230,000 to cover the credit risk of some clients of the Bank, mainly those of rescheduled loans; . At said date, the total balance of voluntary provisions amounts to S/857,543,000 (S/184,032,000 as of December 31, 2019). In Bank´s Management's opinion, the provision for loan losses recorded as of December 31, 2020 and 2019 is constituted in accordance with SBS regulations in effect as of those dates.

(g) During the years 2020 and 2019, the interests generated by the loan portfolio are freely agreed considering the interest rates in force in the market. It is worth mentioning that the Congress of the Republic, on December 30, 2020, approved a law to make the BCRP the entity that determines maximum and minimum interest rates for financial institutions. As of the date of this report, the BCRP has not made the change in section 52 of the General Law on the Financial System and the Insurance and Organic System of the Superintendence of Banking, Insurance and Private Pension Funds Administrators, to incorporate what was approved by the Congress of the Republic.

(h) Interests, commissions and expenses over loans or installments that are refinanced, past due, under legal collection, or classified in the "Doubtful" or "Loss" categories, are recorded as "Suspended interest income" and are recognized in the statement of income when effectively collected. The accumulate amounts not recognized as income for this concept amounted to S/1,249,048,000, S//858,748,000 and S/592,731,000 as of December 31, 2020, 2019 and 2018, respectively.

(i) The table below presents the direct loan portfolio as of December 31, 2020 and 2019, classified by maturity dates:

	2020 S/(000)	2019 S/(000)
Outstanding -		
Up to 1 month	2,907,523	3,378,053
More than 1 to 3 months	3,985,245	4,569,467
More than 3 months to 1 year	8,541,878	7,355,010
More than 1 to 5 years	19,707,306	14,902,276
More than 5 years	5,039,607	5,012,677
	40,181,559	35,217,483
Past due and **in legal collection -**		
Up to 4 months	259,557	215,790
More than 4 months	725,715	390,698
Loans in legal collection	427,024	341,934
	41,593,855	36,165,905

6. **Investments in Subsidiaries and associates**

(a) This caption is made up as follows:

	Ownership percentage		Book value	
	2020 %	2019 %	2020 S/(000)	2019 S/(000)
Investments in subsidiaries				
Internacional de Títulos Sociedad Titulizadora S.A. - Intertítulos S.T.	100.00	100.00	12,964	12,186
Compañía de Servicios Conexos Expressnet S.A.C.	100.00	100.00	5,011	11,496
Sub Total			17,975	23,682
Investments in associates				
Procesos MC Perú S.A.	50.00	50.00	60,610	53,774
La Fiduciaria S.A.	35.00	35.00	6,120	6,297
Compañía Peruana de Medios de Pago S.A.C. - Visanet	16.47	16.47	(229)	8,401
Other	-	-	3,956	3,967
Sub Total			70,457	72,439
Total			88,432	96,121

(b) As of December 31, 2020, 2019 and 2018, as a result of applying the equity accounting method on its investments in subsidiaries and associates, the Bank recorded gains for approximately S/14,996,000, S/34,303,000 and S/42,494,000 respectively, which are included in the caption "Gain on financial transactions" in the statement of income; see Note 18. In the years 2020, 2019 and 2018, the Bank received dividends from its subsidiaries and associates for approximately S/19,403,000, S/33,637,000 and S/46,117,000, respectively, decreasing the value of investment according to the accounting method indicated in Note 2(h).

(c) A summary of the main data of the financial statements of the Bank's maninly subsidiaries and associates as of December 31, 2020 and 2019, and for the years then ended as of December 31, 2020, 2019 and 2018, is presented below:

	Activity	Assets		Liabilities		Net shareholders' equity		Net income		
		2020 S/(000)	2019 S/(000)	2020 S/(000)	2019 S/(000)	2020 S/(000)	2019 S/(000)	2020 S/(000)	2019 S/(000)	2018 S/(000)
Subsidiaries -										
Internacional de Títulos Sociedad Titulizadora S.A. – Intertítulos S.T.	Fiduciary services	13,323	12,536	298	278	13,025	12,258	768	821	1,391
Compañía de Servicios Conexos, Expressnet S.A.C.	Credit card management	23,422	50,773	17,862	38,117	5,560	12,656	4,505	11.600	10,234
Interfondos S.A. Sociedad Administradora de Fondos Mutuos (d)	Funds management	-	-	-	-	-	-	-	-	14,220
Associates -										
Procesos MC Perú S.A.	Credit card management	390,710	249,842	265,961	138,408	124,749	111,434	13,556	20,154	16,231
Compañía Peruana de Medios de Pago S.A.C. – Visanet	Credit card management	254,715	230,408	248,255	173,396	6,460	57,012	(9,388)	37,911	36,308
La Fiduciaria S.A.	Fiduciary services	25,087	24,976	7,136	6,769	17,951	18,207	14,121	14,377	12,752

(d) On December 18, 2018, the Bank's Board of Directors approved the sale of one hundred percent of the shares representing the capital stock of Interfondos S.A. the Funds Administrator Company, subsidiary of the Bank, in favor of Inteligo Perú Holding S.A.C., a subsidiary of Inteligo Group Corp. The transaction was performed on January 8, 2019, through an agreement between the Bank and Inteligo Perú Holding S.A.C. to sale the one hundred percent of Interfondos S.A. the Funds Administrator Company, which consists of 34,430,595 shares that make up its capital stock. The purchase value of said shares amounted to US$30,000,000 (equivalent to approximately S/100,470,000) generating a profit for approximately S/52,580,000, which was recorded as "Income from sale of subsidiary" in the caption "Gain on financial transactions" of the statement of income; see Note 18.

The General Shareholders' Meeting of Interfondos S.A. the Funds Administrator Company held on December 28, 2018, agreed to distribution of dividends from year 2018 for S/14,200,000, establishing the payment date on April 1, 2019.

(e) The General Shareholders' Meeting held on March 27, 2019, approved the proposed merger by absorption between the Bank and Contacto Servicios Integrales de Créditos y Cobranzas S.A. and Inversiones Huancavelica S.A. In that sense, through SBS Resolution No. 4074-2019 dated September 4, 2019, the SBS authorized to the Bank to perform this merger with an effective date on September 4, 2019; the assets absorbed amounted to approximately S/305,000 and corresponded mainly to cash deposits in the Bank.

7. **Property, furniture and equipment, net**

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

Description	Land S/(000)	Buildings and facilities S/(000)	Furniture and equipment S/(000)	Vehicles S/(000)	Leasehold improvements S/(000)	In-transit equipment and work-in progress S/(000)	Total 2020 S/(000)	Total 2019 S/(000)	Total 2018 S/(000)
Cost									
Balance as of January 1	76,273	527,508	590,953	617	148,794	47,610	1,391,755	1,348,779	1,312,920
Additions	-	6,187	19,797	-	2,514	20,519	49,017	60,439	58,631
Transfers	-	12,994	21,516	-	4,637	(39,147)	-	-	-
Sales Note 20	(573)	(2,603)	(13,383)	(175)	-	-	(16,734)	(14,304)	(21,193)
Disposals and write – offs	-	-	(125)	-	(15,119)	(1,698)	(16,942)	(3,159)	(1,579)
Balance as of December 31	75,700	544,086	618,758	442	140,826	27,284	1,407,096	1,391,755	1,348,779
Accumulated depreciation									
Balance as of January 1	-	397,649	459,943	617	125,328	-	983,537	928,325	883,506
Depreciation for the year	-	15,102	47,281	-	11,160	-	73,543	72,454	67,193
Sales, Note 20	-	(2,425)	(13,282)	(175)	-	-	(15,882)	(14,083)	(20,795)
Disposals and write – offs	-	-	(125)	-	(15,119)	-	(15,244)	(3,159)	(1,579)
Balance as of December 31	-	410,326	493,817	442	121,369	-	1,025,954	983,537	928,325
Net book value	75,700	133,760	124,941	-	19,457	27,284	381,142	408,218	420,454

(b) Financial entities in Peru are prohibited from pledging their fixed assets.

(c) Management periodically reviews the depreciation method applied, in order to assure that it is consistent with the economic benefits of fixed assets. In Management's opinion, there is no evidence of impairment of fixed assets held by the Bank as of December 31, 2020 and 2019.

(d) With SBS authorization, the Bank recorded voluntary revaluations between the years 2000 and 2003 over certain fixed assets at their fair values, which were determined by an independent appraiser and amounted to approximately S/61,140,000; which generated a deferred Income Tax liability; see Note 12(a). As of December 31, 2020 and 2019, the value of the revaluations performed, net of their accumulated depreciation, amounts to approximately S/29,077,000 and S/30,622,000, respectively.

8. Other assets, net and provisions and other liabilities

(a) This caption is made up as follows:

	2020 S/(000)	2019 S/(000)
Other assets, net		
Financial Instruments		
Accounts receivable from derivative financial instruments (b)	364,624	225,530
Accounts receivable from sale of investments (c)	101,644	41,338
Accounts receivable, net	93,720	129,762
Operations in process (d)	92,376	44,346
Commissions receivable for credit cards	11,211	13,207
Accounts receivable from sales operations with repurchase agreements (e)	-	510,001
	663,575	964,184
Non-financial instruments		
Intangible assets, net (f)	444,563	409,638
Payments in advance of Income Tax	135,865	-
Deferred charges	48,083	56,513
Premium by loan portfolio, net (g)	8,563	10,160
Prepaid rights to related entity (h)	3,400	6,628
Rentals paid in advance	2,486	3,065
Public works tax deduction	317	7,178
Assets seized through legal actions	15,870	15,967
Others	1,558	965
	660,705	510,114
Total	1,324,280	1,474,298

	2020 S/(000)	2019 S/(000)
Provisions and other liabilities		
Financial instruments		
Other accounts payable	297,581	287,854
Accounts payable from derivative financial instruments (b)	269,632	215,671
Operations in process (d)	174,833	132,962
Accounts payable for purchase of investments (c)	120,280	73,610
Provisions for contingent loans and for credit risk associated with over-indebtedness, Note 5(f)	104,139	83,485
Workers' profit sharing and salaries payable	83,899	121,148
Dividends payable	173	221
	1,050,537	914,951
Non-financial instruments		
Provisions for other contingencies (i)	41,314	38,880
Deferred income	29,643	22,826
Taxes payable	18,784	26,103
Premiums to the deposit insurance fund	15,446	11,692
Others	1,744	2,666
	106,931	102,167
Total	1,157,468	1,017,118

(b) The risk of derivative contracts arises from the possibility that the counterparty does not comply with the agreed terms and conditions, and that the reference rates at which the transactions were agreed may change.

The following table presents, as of December 31, 2020 and 2019, the fair value of derivative financial instruments recorded as assets or liabilities, including their notional amounts and maturities. The notional amount is the nominal amount of the derivative's underlying asset and is the base over which changes in the value of derivatives are measured.

		2020				2019				
	Note	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 for negotiation -										
Forward exchange contracts		23,567	13,935	3,672,112	Between January 2021 and December 2022	96,243	45,276	9,289,914	Between January 2020 and January 2021	-
Interest rate swaps		144,166	139,532	4,382,535	Between May 2021 and June 2036	81,902	75,070	4,238,142	Between November 2020 and December 2029	-
Currency swaps		69,997	50,193	2,520,758	Between April 2021 and April 2028	34,477	36,429	1,727,922	Between January 2020 and September 2026	-
Cross currency swaps (*)		-	65,827	213,125	January 2023	-	46,708	195,056	January 2023	-
Options		-	145	22,700	Between January 2021 and June 2021	32	126	22,154	Between January and December 2020	-
		237,730	269,632	10,811,230		212,654	203,609	15,473,188		
Derivatives designated as hedges -										
Cash flow:										
Cross currency swaps (CCS)	11(f)	126,894	-	1,596,861	January 2023	12,876	8,227	1,461,474	January 2023	Senior Bonds
Interest rate swap (IRS)	10(e)	-	-	-		-	1,670	132,560	November 2020	Due to banks
Interest rate swap (IRS)	10(f)	-	-	-		-	1,085	82,850	December 2020	Due to banks
Interest rate swap (IRS)	10(g)	-	-	-		-	1,080	82,850	December 2020	Due to banks
		126,894	-	1,596,861		12,876	12,062	1,759,734		
		364,624	269,632	12,408,091		225,530	215,671	17,232,922		

(*) Originates from the revocation of an accounting hedge as of December 31, 2015. In accordance with the SBS guidelines, the unrealized-loss, net of Income Tax, accumulated in the caption "Derivate instruments designated as cash flow hedges" of the statements of changes in shareholders' equity which amounted to S/16,949,000 at the revocation date, was transferred to the caption "Retained earnings". Since January 1, 2016, the changes of its fair value are recognized in the Bank's statement of income.

As of December 31, 2020 and 2019, the Banks holds forwards exchange contracts and currency and interest rate swaps, which according to the agreed upon terms, required the constitution of collateral deposits for approximately US$19,486,000 (equivalent to S/70,559,000) and US$17,446,000 (equivalent to S/57,816,000), respectively; see Note 3(d). On the other hand, at those dates, certain customers have constituted guarantee deposits for the derivatives agreed with the Bank for approximately US$15,401,000 (equivalent to S/55,767,000) and US$12,779,000 (equivalent to S/42,351,000), respectively; see Note 9(a).

(c) As of December 31, 2020 and 2019, correspond to accounts receivable and payable from sales and acquisitions of investments during the last days of the month, which have been settled during the first days of the following month. The balance mainly corresponds to the acquisition and sale of Sovereign Bonds of the Republic of Peru.

(d) Transactions in process are related to deposits received during the last days of the month, loans disbursed and collected, funds transferred and other similar transactions; which are transferred to the corresponding accounts in the following month. These transactions do not affect the Bank's results as of December 31, 2020 and 2019.

(e) As of December 31, 2019, the Bank agreed on repurchase agreements with two financial entities for approximately S/510,001,000, including interest, which accrued interest at effective rates of 2.25 percent, and mature in the first days of January 2020. These transactions are guaranteed with Certificates of Deposit issued by the BCRP, provided by said entities for an amount of approximately S/518,893,000.

(f) The movement in intangible assets and accumulated amortization for the years ended December 31, 2020, 2019 and 2018 is as follows:

Description	Software S/(000)	In-transit software S/(000)	Total 2020 S/(000)	Total 2019 S/(000)	Total 2018 S/(000)
Cost					
Balance as of January 1	780,419	128,029	908,448	773,631	658,723
Additions	41,073	102,800	143,873	134,817	115,163
Transfers	99,456	(99,456)	-	-	-
Retirements	(249)	(1,500)	(1,749)	-	(255)
Balance as of December 31	920,699	129,873	1,050,572	908,448	773,631
Accumulated amortization					
Balance as of January 1	498,810	-	498,810	407,644	333,750
Amortization for the year	107,448	-	107,448	91,166	73,898
Retirements	(249)	-	(249)	-	(4)
Balance as of December 31	606,009	-	606,009	498,810	407,644
Net book value	314,690	129,873	444,563	409,638	365,987

Management assesses periodically the amortization method applied with the purpose of ensuring that it is consistent with the economic benefit of the intangibles. In Management's opinion, there is no evidence of impairment of the intangibles maintained by the Bank as of December 31, 2020 and 2019.

(g) Corresponds to the highest value paid for the purchase of loan portfolio from Bancolombia Panama S.A., Bancolombia Puerto Rico International Inc. and Itaú Corbanca NY Branch, which amounted to S/16,317,000 and is presented net of the amortization. As of December 31, 2020 and 2019, the amortization recorded by the Bank was approximately S/2,360,000 and S/5,255,000, respectively, which is included in the caption "Interest income" net of interest generated by these credits.

(h) In December 2003, the Bank entered into a 15 year concession agreement with Supermercados Peruanos S.A., a related entity, to install financial services facilities inside the stores of Supermercados Peruanos S.A. Under this agreement, the Bank paid an amount in foreign currency equivalent to S/32,323,000, including the Value Added Tax (henceforth "IGV", by its Spanish acronym).

As of December 31, 2019, the balance corresponds to a cash guarantee pledged to Supermercados Peruanos S.A. for an amount of US$2,000,000, equivalent to approximately S/6,628,000; and the expense recorded by the Bank during 2019 was approximately S/2,110,000, which are included in the caption "Administrative expenses" of the statement of income.

During the year 2020, the Bank signed a framework contract to cede the use of commercial spaces for the installation of Money Market stores and/or ATMs in the facilities of Supermercados Peruanos S.A. for a 5 yeard. As of December 31, 2020, the balance corresponds to a cash guarantee granted to Supermercados Peruanos S.A. for an amount of US$1,000,000, equivalent to approximately S/3,400,000; the expenses related to the cession of use of the commercial spaces amounted to S/10,490,000, which are included in the caption "Administrative expenses" of the statement of income.

(i) As of December 31, 2020 and 2019, include provisions for sundry legal contingencies originated from ongoing lawsuits against the Bank related to the nature of its operations. The Bank establishes provisions for such lawsuits when, in the opinion of Management and its internal legal advisers, the liability is likely to be assumed by the Bank and the amount can be reliably estimated.

9. Deposits and obligations, and deposits from financial entities

(a) The following table presents the detail of "Deposits and obligations":

	2020 S/(000)	2019 S/(000)
Savings deposits	17,820,441	11,351,153
Time deposits (f)	11,506,873	10,512,090
Current accounts	11,211,526	9,533,097
Compensation for time of service (d)	1,923,698	1,933,052
Public restricted obligations (*)	822,021	744,434
Other obligations	6,040	6,226
Total	43,290,599	34,080,052

(*) As of December 31, 2020 includes mainly S/398,309,000 y S/55,767,000 of guarantee deposits delivered to clients in support of direct and indirect loans granted by the Bank and guarantee deposits delivered to client for derivative contracts, respectively (includes S/342,818,000 y S/42,351,000, respectively, as of December 31, 2019).

(b) The Bank has established a policy to pay interests to time demands deposits and saving deposits according to a scale of interest rates, based on the average balances maintained in said accounts. Additionally, as part of said policy, it was established that the accounts which have balances less than an amount determined do not generate any interest.

Interest rates applied to deposits and obligations are determined by the Bank based on interest rates prevailing on the Peruvian market.

(c) As of December 31, 2020 and 2019, approximately S/14,020,602,000 y S/10,725,904,000 of deposits and obligations are covered by the Deposit Insurance Fund, respectively. Likewise, at those dates the coverage of the Deposit Insurance Fund by each client is up to S/101,522 and S/100,661, respectively.

(d) On March 27, 2020, the Peruvian Government issued the Emergency Decree No. 033-2020, which allowed each worker to withdraw up until S/2,400 of their compensation for service time accounts. Said Decree shall continue effective during the National State of Emergency due to the Covid-19 outbreak. As part of this benefit, there were approximately 56,422 clients who withdrew their compensation for service time accounts for an approximate amount of S/85,493,000; this decrease was offset by the increase generated by the deposits made by employers during the months of May and November as part of the normal operativity of this labor benefit.

(e) The following table presents the detail of "Deposits from financial entities"

	2020 S/(000)	2019 S/(000)
Current accounts	1,201,110	1,153,813
Time deposits (f)	87,755	357,038
Savings deposits	16,742	19,087
Total	1,305,607	1,529,938

(f) The table below presents the balance of time deposits from public and financial entities classified by maturity as of December 31, 2020 and 2019:

	2020 S/(000)	2019 S/(000)
Due within 1 month	6,365,236	4,071,560
More than 1 month to 3 months	1,920,921	1,888,662
More than 3 months to 1 year	2,643,563	4,041,787
More than 1 year to 5 years	392,295	732,520
More than 5 years	272,613	134,599
Total	11,594,628	10,869,128

10. Debts and financial obligations

(a) This caption is made up as follows:

	2020 S/(000)	2019 S/(000)
By type -		
Promotional credit lines (b)	1,453,397	1,422,068
Obligations with foreign entities (c)	126,735	298,260
	1,580,132	1,720,328
Interest and commissions payable	3,248	4,904
	1,583,380	1,725,232
By term -		
Short term	117,372	412,125
Long term (h)	1,466,008	1,313,107
Total	1,583,380	1,725,232

(b) The promotional credit lines represent loans in soles and US dollars received from Corporación Financiera de Desarrollo (COFIDE) and Fondo MiVivienda (FMV) with the purpose of promoting development in Peru. These liabilities are guaranteed with loan portfolio up to the amount of the used line and includes specific agreements on how it should be used the funds, the financial conditions that must be maintained and other administrative matter. In the opinion of Management, the Bank is complying with these requirements.

As of December 31, 2020, COFIDE loans accrued interest at annual effective interest rates in local currency between 7.55 and 7.67 percent and maturities on January 2027 , and in foreign currency, between 5.99 and 8.39 percent and maturities between October 2029 and October 2034 (in local currency between 7.55 and 10.00 percent annual effective interest rates and maturities between January 2027 and November 2031, and in foreign currency between 6.70 and 8.56 percent and maturities between April 2028 and October 2034, as of December 31, 2019).

As of December 31, 2020, the FMV loans accrued annual effective interest rates in local currency between 5.00 and 8.30 percent and maturities between January 2021 and December 2045, and in foreign currency, of 7.75 percent and maturities between January 2021 and November 2028 (in local currency 5.00 and 8.30 percent and maturities between January 2020 and December 2039, and in foreign currency, of 7.75 percent and maturities between January 2020 and November 2028, as of December 31, 2019).

(c) As of December 31, 2020 and 2019, includes the following:

Entity	Country	Currency	Final maturity	2020 S/(000)	2019 S/(000)
Development Bank of Latin America - CAF (d)	Multilateral	US$	2022	126,735	-
Development Bank of Latin America - CAF (e)	Multilateral	US$	2020	-	132,560
Citibank N.A. (f)	United States of America	US$	2020	-	82,850
Wells Fargo Bank & Co. (g)	United States of America	US$	2020	-	82,850
				126,735	298,260

As of December 31, 2020, transactions with foreign entities bear an effective interest rates between 1.12 and 2.87 percent (effective interest rates between 2.85 and 3.68 percent during 2019).

Some of the loan agreements include standard clauses regarding the compliance of financial ratios, the use of funds and other administrative matters. As of December 31, 2019, the Bank mainly maintained the following debt clauses:

(i) Submit audited financial statements on an annual basis as well as quarterly unaudited financial statements (in Spanish and English).
(ii) The clauses establish to maintain a certain global capital ratio.
(iii) The clauses establish to maintain a certain coverage margin of non-performing loan portfolio.
(iv) The clauses establish to maintain a certain default ratio.

In the opinion of Bank´s Management and its internal legal advisors, these clauses have been met as of December 31, 2019.

Due to the maturity of obligations with foreign entities during the year 2020, as of December 31, 2020, the Bank is not subject to any clause for compliance with certain financial ratios.

(d) Corresponds to a loan received in March 2020 for US$35,000,000 which bears interest at a 6-month Libor rate plus 1.40 percent.

(e) Corresponded to a loan received in October 2018 for US$40,000,000 which bears interest at a 6-month Libor rate plus 0.85 percent. In November 2018, the Bank signed an interest rate swap contract, which was designated as a cash flow hedge; see Note 8(b); through this operation the loan received in October 2018 was economically converted into a fixed rate obligation of 4.00 percent.

(f) Corresponded to a loan received in November 2018 for US$25,000,000 which born interest at a 3-month Libor rate plus 0.90 percent. In December 2018, the Bank signed an interest rate swap contract, which was designated as a cash flow hedge; see Note 8(b); through this operation, the loan was economically converted at a fixed rate of 3.93 percent.

(g) Corresponds to a loan received in November 2018 for US$25,000,000 which born interest at a 3-month Libor rate plus 0.90 percent. In December 2018, the Bank signed an interest rate swap contract, which was designated as a cash flow hedge; see Note 8(b); through this operation, the loan was economically converted to a fixed rate of 3.93 percent.

(h) As of December 31, 2020 and 2019, the payment schedule of these long-term obligations is the following:

Year	**2020** S/(000)	**2019** S/(000)
2021	-	108,772
2022	237,387	106,077
2023	117,285	112,607
2024 onwards	1,111,336	985,651
Total	1,466,008	1,313,107

11. Securities, bonds and obligations outstanding

(a) This caption is made up as follows:

Local Issuances	Annual nominal Interest rate	Interest payment	Maturity	Issued amount (000)	2020 S/(000)	2019 S/(000)
Negotiable Deposit Certificates – First program						
First issuance (A serie)	4.28%	Annual	2020	S/150,000	-	148,603
Subordinated bonds – First program (b)						
Third issuance (A serie)	3.5% + VAC	Semiannually	2023	S/110,000	152,356	149,161
Eighth issuance (A serie)	6.91%	Semiannually	2022	S/137,900	137,900	137,900
					290,256	287,061
Subordinated bonds - Second program (b)						
Second issuance (A serie)	5.81%	Semiannually	2023	S/150,000	149,881	149,827
Thrid issuance (A serie)	7.50%	Semiannually	2023	US$50,000	180,819	165,426
					330,700	315,253
Corporate bonds - Second program						
Fifth issuance (A serie)	3.41% + VAC	Semiannually	2029	S/150,000	155,236	151,945
Total local issuances					776,192	902,862
International issuances						
Subordinated bonds (c)	4.00%	Semiannually	2030	US$300,000	1,078,493	-
Corporate bonds (d)	5.00%	Semiannually	2026	S/312,000	311,282	311,185
Corporate bonds (e)	3.25%	Semiannually	2026	US$400,000	1,436,818	1,313,259
Corporate bonds (f)	3.375%	Semiannually	2023	US$484,895	1,721,664	1,560,038
Subordinated bonds (g)	6.625%	Semiannually	2029	US$300,000	1,082,915	990,253
Junior Subordinated notes (h)	8.50%	Semiannually	2070	US$200,000	-	662,036
Total international issuances					5,631,172	4,836,771
Total local and International issuances					6,407,364	5,739,633
Interest payable					91,481	75,993
Total					6,498,845	5,815,626

(b) Subordinated bonds do not have specific guarantees and, according with SBS regulation, qualify as second tier equity ("Tier 2") in the determination of the regulatory capital.

(c) On June 30, 2020, the Bank placed subordinated bonds called "4.00% Subordinated Notes due 2030" for an amount of US$300,000,000, under Rule 144A and Regulation S of the U.S. Securities Act of 1933 of the United States of America. The issuance date of these bonds was July 8, 2020.

On July 8, 2025, prior authorization by the SBS, the Bank will be able to redeem the entirety of the bonds, having to pay a redemption price of 100 percent of the issued subordinated bonds. From that date onwards, in case the Bank does not perform the early redemption, the interest rate will increase by 371.1 basis points. After July 8, 2025, prior authorization by the SBS, the Bank will be able to redeem the entirety of the bonds, having to pay a redemption price of 100 percent of the issued subordinated bonds plus the present value of each scheduled coupon payment, discounted at the redemption date.

(d) On September 24, 2019, the Bank placed corporate bonds called "5.00% Senior Notes due 2026" for S/312,000,000, under Rule 144A and Regulation S of the U.S. Securities Act of 1933 of the United States of America. The date of issuance of these bonds was October 1, 2019.

(e) On September 25, 2019, the Bank placed corporate bonds called "3.250% Senior Notes due 2026" for US$400,000,000, under Rule 144A and Regulation S of the U.S. Securities Act of 1933 of the United States of America. The date of issuance of these bonds was October 4, 2019.

Likewise, as part of said program, on September 19, 2019, the Bank announced of a buyback offering in cash of the senior bonds denominated "5.750% Senior Notes due 2020" issued by the Panama Branch; however, until October 2, 2019, only approximately 37.52% of the holders had accepted the buypack offering in cash

In this sense, for the remaining bondholders that did not accept the buyback offering, the Bank communicated them its decision to exercise the early redemption option of said instruments; the redemption date was November 4, 2019.

In this regard, the Bank incurred in expenses for the partial buyback of the bonds and for the early redemption option amounting to US$12,755,000 (equivalent to approximately S/42,270,000), which were recorded as "Interest on securities, bonds and other obligations outstanding" in the caption "Interest expenses" in the statement of income.

(f) In January 2018, the Bank issued corporate bonds called "3.375 Senior Unsecured Notes" for US$200,000,000, under Rule 144A and Regulation S of the U.S. Securities Act of 1933 of the United States of America.

Likewise, as part of this program, the Bank made an exchange offer addressed to the holders of the corporate bonds denominated "5.750% Senior Notes due 2020" issued by the Panama Branch, managing to exchange bonds for an amount of US$263,322,000, which generated an exchange premium of approximately US$21,573,000, which are presented together in the caption "Securities, bonds and obligations outstanding" for an amount of US$284,895,000.

In this sense, considering the issuance of bonds in January 2018 and the exchange of bonds made, the total balance of the bonds "3.375 Senior Unsecured Notes" amounted to US$484,895,000.

The Bank concluded that the aforementioned exchange did not generate any substantial modification in the terms and conditions of the financial liability; therefore, it did not recognize a new financial liability. The transaction costs associated with these exchanged bonds will continue to be amortized based on the schedule of the new bond.

As of December 31, 2020, the Bank holds fourteen cross-currency swaps for a total of US$441,000,000 (equivalent to approximately S/1,596,861,000), which were designated as cash flow hedges (eleven cross-currency swaps for US$441,000,000 equivalent to approximately S/1,461,474,000 as of December 31, 2019); see Note 8(b); through these operations, part of the issued amount by these bonds was economically converted into Soles at a fixed rate of 4.88 percent.

As of December 31, 2020, Management does not intend to redeem these bonds before their maturity date.

(g) Starting in March 2024, the applicable interest rate will be a floating rate of 3-month Libor plus 576 basis points payable quarterly. Starting on that date, the Bank can redeem 100 percent of the notes without penalties. In accordance with SBS regulation, this issuance qualifies as second tier equity ("Tier 2") in the determination of effective equity.

As of December 31, 2020, Management does not intend to redeem these bonds before their maturity date.

(h) Starting in April 2020, the applicable interest rate will be a floating rate of 3-month Libor plus 674 basis points payable on a semi-annual basis, provided that the floating rate for any interest period will not be less than 10.5 percent per annum. Starting at that date, the Bank could redeem 100 percent of the notes, without penalties.

This issuance qualified as first level equity (Tier 1), nevertheless, the SBS establishes a 17.65 percent limit, which is computed over the capital, reserves and retained earnings pending capitalization of the Bank in the determination of its effective equity; any excess qualified as second level equity (Tier 2).

In Board Session held on January 28, 2020, the Bank agreed to redeem the entirety of these instruments. Said redemption was made on April 23, 2020.

(j) The international issuances are listed at the Luxembourg Stock Exchange. On the other hand, the local and international issuances include standard clauses of compliance with financial ratios and operational. As of December 31, 2020 and 2019, the Bank mainly maintains the following clause: Submit audited financial statements on an annual basis and unaudited financial statements on a quarterly basis (both in Spanish and English).

In the opinion of Bank´s Management and its internal legal advisers, this clause has been met by the Bank as of December 31, 2020 and 2019.

The table below presents the payment schedule of these obligations as of December 31, 2020 and 2019:

Year	2020 S/(000)	2019 S/(000)
2020	-	224,596
2021	91,481	-
2022	137,900	137,900
2023	2,204,720	2,024,452
2024 onwards	4,064,744	3,428,678
Total	6,498,845	5,815,626

12. Income tax deferred asset, net

(a) The table below presents the detail and movement of this caption:

	Balance as of January 1, 2018 S/(000)	(Debit) credit to income S/(000)	(Debit) credit to equity S/(000)	Balance as of December 31, 2018 S/(000)	(Debit) credit to income S/(000)	Other movements S/(000)	(Debit) credit to equity S/(000)	Balance as of December 31, 2019 S/(000)	(Debit) credit to income S/(000)	(Debit) credit to equity S/(000)	Balance as of December 31, 2020 S/(000)
Deferred asset											
Loan portfolio generic provision and other provisions	184,916	43,688	-	228,604	13,422	-	-	242,026	208,743	-	450,769
Unrealized loss from fluctuation in available-for-sale investments	1,331	-	5,117	6,448	-	-	(6,405)	43	-	(43)	-
Unrealized gains (losses) from the valuation of derivatives for hedging purposes	628	-	(10,335)	(9,707)	-	-	13,052	3,345	-	3,559	6,904
Other	-	-	-	-	-	5,199	-	5,199	-	-	5,199
Total deferred asset	186,875	43,688	(5,218)	225,345	13,422	5,199	6,647	250,613	208,743	3,516	462,872
Deferred liability											
Amortization of intangibles	(51,918)	(5,347)	-	(57,265)	(17,174)	-	-	(74,439)	(6,662)	-	(81,101)
Unrealized gains from fluctuations in available-for-sale investment	(58,012)	-	25,140	(32,872)	-	-	30,803	(2,069)	-	(2,783)	(4,852)
Voluntary revaluation of fixed asset, note 7(d)	(9,806)	389	-	(9,417)	383	-	-	(9,034)	455	-	(8,579)
Other	(7,826)	(6,475)	-	(14,301)	13,578	-	-	(723)	(8,707)	-	(9,430)
Total deferred liability	(127,562)	(11,433)	25,140	(113,855)	(3,213)	-	30,803	(86,265)	(14,914)	(2,783)	(103,962)
Total deferred asset, net	59,313	32,255	19,922	111,490	10,209	5,199	37,450	164,348	193,829	733	358,910

(b) The table below presents the amounts reported in the statement of income for the years ended:

	2020 S/(000)	2019 S/(000)	2018 S/(000)
Current – Expense	225,255	405,398	356,356
Deferred - (Income)	(193,829)	(10,209)	(32,255)
Total	31,426	395,189	324,101

(c) The table below presents the reconciliation of the effective Income Tax rate with the statutory Income Tax rate for the years 2020, 2019 and 2018:

	2020		2019		2018	
	S/(000)	%	S/(000)	%	S/(000)	%
Income before Income Tax	296,309	100.00	1,616,705	100.00	1,364,164	100.00
Theoretical tax (29.5% in 2020, 2019 and 2018)	87,411	29.50	476,928	29.50	402,428	29.50
Effect of non-taxable income						
Income exempt from taxation	(81,118)	(27.37)	(105,643)	(6.53)	(100,713)	(7.38)
Effect of non-deductible expenses						
Non-deductible expenses	25,133	8.48	23,904	1.47	22,386	1.64
Income Tax recorded	31,426	10.61	395,189	24.44	324,101	23.76

(d) In Management's opinion, the deferred Income Tax asset will be recovered from the taxable income that will be generated by the Bank over the coming years, including the portion that is recorded in shareholders' equity.

13. Shareholders' equity

(a) Capital stock -

As of December 31, 2020 and 2019, the Bank's capital stock is represented by approximately 4,723,363,000 and 3,937,453,000 common shares, which are fully subscribed and paid-in, each with a nominal value of one Sol.

The General Shareholders' Meeting held on April 3, 2020, agreed to capitalize the earnings generated in 2019, net of legal reserve and distribution of dividends, for approximately S/785,910,000. Dividends distributed amounted to approximately S/302,273,000.

The General Shareholders' Meeting held on March 27, 2019, agreed to capitalize the earnings generated in 2018, net of legal reserve and distribution of dividends, for approximately S/467,044,000. Dividends distributed amounted to approximately S/467,044,000.

The General Shareholders' Meeting held on March 27, 2018, agreed to capitalize the earnings generated in 2017, net of legal reserve and distribution of dividends, for approximately S/405,900,000. Dividends distributed amounted to approximately S/405,900,000.

Under current regulations, there are no restrictions governing dividend distributions abroad or the repatriation of foreign capital.

(b) Treasury stock -

As of December 31, 2020 and 2019 this item corresponds to 18,387,000 Bank shares with an acquisition cost of approximately S/33,910,000.

(c) Legal and special reserves -

Pursuant to current legislation, the Bank is required to establish a legal reserve for an amount equivalent to at least 35 percent of its paid-in capital. This legal reserve is funded through an annual appropriation of at least 10 percent of net income and can only be used to absorb losses or be capitalized. In both cases, the Bank is required to replenish it.

The Shareholders' Meetings held on April 3, 2020 and March 27, 2019 and 2018 ,agreed to the appropriation of legal reserves for the profits of the fiscal years 2019, 2018 and 2017 for approximately S/120,909,000, S/103,788,000 and S/90,200,000, respectively.

The General Shareholders' Meeting held on March 29, 2004, approved the creation of a special reserve amounting to S/10,822,000, through the transfer of income generated in 2003. The Bank is not allowed to distribute or use this special reserve without prior authorization by the SBS.

(d) Unrealized results from financial instruments

The unrealized results include the unrealized gains (losses) from the valuation of available-for-sale investments and from derivatives instruments used as cash flow hedges, and the unrealized gain from the changes in the subsidiaries and associates equity resulting for using the equity method of accounting. Changes in the unrealized results as of December 31, 2020, 2019 and 2018 presented net of their tax effect are as follows:

	Unrealized gains (losses)			
	Available-for-sale investments S/(000)	Cash flow hedging derivatives S/(000)	Investments in subsidiaries and associates S/(000)	Total S/(000)
Balance as of January 1, 2018	120,176	(1,498)	1,174	119,852
Unrealized gain from available-for-sale investments, net of unrealized loss	31,089	-	-	31,089
Transfer of realized gain from available-for-sale investments to the statement of income, net of realized loss, Note 18(b)	(142,529)	-	-	(142,529)
Accrual realized loss from held-to-maturity investments to the statement of income, net of realized gain, Note 4(h)	2,860	-	-	2,860
Unrealized loss on cash flow hedging derivatives	-	10,702	-	10,702
Transfer to results of realized loss from cash flow hedge derivatives	-	13,997	-	13,997
Net unrealized loss in equity of subsidiaries and associates	-	-	(476)	(476)
Balance as of December 31, 2018	11,596	23,201	698	35,495
Unrealized gain from available-for-sale investments, net of unrealized loss	159,637	-	-	159,637
Transfer of realized gain from available-for-sale investments to the statement of income, net of realized loss, Note 18(b)	(151,045)	-	-	(151,045)
Accrual realized loss from held-to-maturity investments to the statement of income, net of realized gain, Note 4(h)	5,617	-	-	5,617
Unrealized loss on cash flow hedging derivatives	-	(55,284)	-	(55,284)
Transfer to results of unrealized loss from cash flow hedge derivatives	-	22,987	-	22,987
Transfer to results of the unrealized loss by the hedge accounting revocation	-	1,105	-	1,105
Net unrealized loss in equity of subsidiaries and associates	-	-	(698)	(698)
Balance as of December 31, 2019	25,805	(7,991)	-	17,814
		-		
Unrealized gain from available-for-sale investments, net of unrealized loss	299,740	-	-	299,740
Transfer of realized gain from available-for-sale investments to the statement of income, net of realized loss, Note 18(b)	(101,443)	-	-	(101,443)
Accrual realized loss from held-to-maturity investments to the statement of income, net of realized gain, Note 4(h)	2,012	-	-	2,012
Unrealized loss on cash flow hedging derivatives	-	(33,251)	-	(33,251)
Transfer to results of unrealized loss from cash flow hedge derivatives	-	24,746	-	24,746
Balance as of December 31, 2020	226,114	(16,496)	-	209,618

(e) Components of other comprehensive income

The statement of other comprehensive income include other comprehensive income from available-for-sale investments, derivative financial instruments used as cash flow hedges and investments in associates and subsidiaries. Its respective movement is detailed below:

	2020 S/(000)	2019 S/(000)	2018 S/(000)
Available-for-sale investments:			
Unrealized gain from available-for-sale investments	299,740	159,637	31,089
Transfer of realized gain from available-for-sale investments, net of realized loss	(101,443)	(151,045)	(142,529)
Transfer of realized loss from held-to maturity investments to the statement of income, note 4(h)	2,012	5,617	2,860
Sub total	200,309	14,209	(108,580)
Income tax	2,826	(24,398)	(30,257)
	203,135	(10,189)	(138,837)
Cash flow hedges:			
Net (loss) profit of cash flow hedges	(33,251)	(55,284)	10,702
Transfer of realized loss from cash flow hedges to the statement of income	24,746	22,987	13,997
Transfer of unrealized loss to the statement of income by the hedge accounting revocation, Note	-	1,105	-
Sub total	(8,505)	(31,192)	24,699
Income tax	(3,559)	(13,052)	10,335
	(12,064)	(44,244)	35,034
Investments in associates and subsidiaries:			
Transfer of unrealized gain to the statement of income from investments in associates and subsidiaries	-	(698)	(476)
Sub total	-	(698)	(476)
Income tax	-	-	-
	-	(698)	(476)

(f) Shareholders' equity for legal purposes (regulatory capital) -
According with the Legislative Decree No. 1028, regulatory capital must be equivalent to or more than 10 percent of the total risk weighted assets and contingent operations, represented by the sum of: the regulatory capital requirement for market risk multiplied by 10, the regulatory capital requirement for operational risk multiplied by 10, and the weighted assets and contingent credits by credit risk.

As of December 31, 2020 and 2019, pursuant to Legislative Decree No. 1028 and amendments, the Bank keeps the following amounts related with the weighted assets and contingent credits by total risk and regulatory capital (basic and supplementary):

	2020 S/(000)	2019 S/(000)
Total risk weighted assets and credits	51,451,816	50,673,786
Total regulatory capital	8,742,126	7,679,278
Basic regulatory capital (Level 1)	5,930,657	5,721,707
Supplementary regulatory capital (Level 2)	2,811,469	1,957,571
Global regulatory capital ratio	16.99%	15.15%

As of December 31, 2020 and 2019, the Bank has complied with the SBS Resolutions No. 2115-2009, No. 6328-2009, No. 14354-2009, No. 4128-2014, Regulations for Regulatory Capital Requirements for Operational Risk, Market Risk and Credit Risk, respectively, and their amendments. These resolutions established, mainly, the methodologies to be applied by financial entities to calculate the weighted assets and credits for each type of risk.

In July 2011, the SBS issued Resolution No. 8425-2011, which was modified by the SBS Resolution No. 603-2016 and SBS Resolution No. 975-2016, which states that an entity must determine an additional regulatory capital. In this sense, Peruvian financial institutions must develop a process to assess the adequacy of their regulatory capital in relation with their risk profile, which must follow the methodology described in said resolution. The additional regulatory capital shall be equivalent to the amount of regulatory capital requirements calculated for each of the following components: economic cycle, concentration risk, market concentration risk and interest rates risk in the banking book and other risks. As of December 31, 2020 and 2019, the additional requirement of regulatory capital estimated by the Bank amounts to approximately S/341,328,000 and S/803,717,000, respectively.

On March 26, 2020, the SBS issued Resolution No. 1264-2020, establishing that the calculation of regulatory capital requirements for mortgage loans and non-revolving consumer loans will not be increased. Likewise, said Resolution authorizes financial entities to use the additional regulatory capital accumulated for the economic cycle component; see Note 2(a)(ii) and (c). In that sense, as indicated in Note 2(a)(ii), the Bank has granted loan reschedulings to its clients, such rescheduling consisted of performing changes in payment schedules and/or granting of grace periods so that the original term of loans was postponed; however, according to the SBS's indications, this term postponement has not generated that the Bank needs higher regulatory capital requirements.

In Management's opinion, the Bank has complied with the requirements stablished by the aforementioned Resolution.

14. Tax situation

(a) The Bank is subject to the Peruvian tax regime. The Income Tax rate as of December 31, 2020, 2019 and 2018, was 29.5 percent, over the taxable income.

Also, through Legislative Decree No. 1261, the rate applicable to dividends and any other form of distribution of Peruvian source income was modified and established at 5 percent. It is worth mentioning that retained earnings or other items susceptible of generating taxable dividends referred in Article 24-A of the Unique Orderly Text (henceforth "TUO", by its Spanish acronym) of the Income Tax Act, obtained between January 1, 2015 and December 31, 2016, which are part of the distribution of dividends or any other form of distribution of profits, will be subject to the rate of 6.8 percent, except for the assumption established in subsection g) of Article 24-A of the TUO, to which the rate of 4.1 percent will be applied.

Lastly, pursuant to the Ninth Complementary and Final Provision of Act No. 30296, retained earnings or other items susceptible of generating taxable dividends referred in Article 24-A of the TUO, obtained until December 31, 2014, which are part of the distribution of dividends or any other form of distribution of profits, are subject to the rate of 4.1 percent.

(b) As detailed in Note 1(b), the Peruvian Government declared National State of Emergency as due to the Covid-19 pandemic, thus establishing a series of measures that included a prolonged period of mandatory social isolation as well as the temporary lockdown of some economic activities. To this respect, with the purpose of mitigating the effect of the temporary downturn of the Peruvian economy, the Government implemented tax measures so that companies do not interrupt their payments chain and comply with their labor, financial, commercial and operative duties. The tax regulations applicable to the Bank are the following:

1. Application of the discretionary power of not imposing administrative sanctions to tax infringements that debtors incur, whether committed or detected, during the National State of Emergency, pursuant to the Resolution of Superintendence No. 008-2020/SUNAT.

2. It was established, in an exceptional manner, a regime permitting taxpayers to reduce or suspend their advance payments of the Income Tax for the months of April, May, June and/or July 2020, pursuant to Legislative Decree No. 1471.

   The regulation indicated that the suspension is applicable if after comparing the net income obtained in April, May, June and/or July 2020 with that obtained in the same months of the fiscal year 2019, there is a decrease of more than 30 percent. If the income has not been reduced, the advance payments of the Income Tax will be made under the general regulations in force.

3. It was established, in an exceptional and temporary manner, a special regime of depreciation for taxpayers of the General Regime of the Income Tax, as well as the modification of depreciation terms through the increase of the depreciation percentages, for certain assets, according to Legislative Decree No. 1488. This regime is applicable since the period 2021.

   It should be noted that pursuant Act No. 31107, published on December 31, 2020, the aforementioned Legislative Decree No. 1488 was amended. Among the amendments introduced, it was established that the depreciation of buildings and constructions by applying the annual 20% shall be applicable until the total depreciation of said assets or only during the periods 2021 and 2022. The choice between these two options is made by the taxpayer when submitting their annual tax return of the Income Tax; and it is immutable.

   As mentioned in Note 2(a)(ii) and (c), the SBS determined that rescheduled loans due to Covid-19, that to date present a "Normal" credit classification shall be subject to specific provisions corresponding to the risk category "with Potential Problems"; likewise, relating to the rescheduled loans in accounting situation of outstanding, whose accrued interest has been recorded in account 1408, upon which the client has not made the payment of at least one complete installment in the last 6 months from the closing of the accounting reporting, shall be subject to a requirement of provisions corresponding to the risk category "Substandard". The stated in this paragraph is applicable to consumer, micro and small business loans.

   In line with the aforementioned, it was published Ministerial Resolution No. 387-2020-EF/15 indicating that the provisions for rescheduled loans due to Covid-19 to which is referred the Eighth Final and Transitory Provision of the Regulation for the Assessment and Classification of the Debtor and the Provisions Requirement, approved by SBS Resolution No. 11356-2008, and amended by SBS Resolution No. 3155-2020, comply jointly with the requisites indicated by subsection h) of Article 37 of the Act, regulated by subsection e) of Article 21 of the Regulation; in that sense, it is mandated that these provisions shall be treated as specific provisions and shall be accepted for taxation purposes by SUNAT.

(c) Since the year 2011, with the amendment introduced by Act No. 29645 to the Income Tax Act, interest and other income generated by foreign loans granted to the Peruvian National Public Sector are also exempted from the Income Tax.

Likewise, there are considered income from Peruvian sources those obtained from the indirect disposal of shares or ownership interests of the capital stock of legal entities domiciled in Peru. For such purposes, an indirect disposal shall be considered to occur upon the sale of shares or ownership interests of the capital stock of a legal entity not domiciled in the country that, in turn, is the owner – whether directly or through one or more other legal entities – of shares or ownership interests of the capital stock of one or more legal entities domiciled in the country, provided certain conditions established by law are met. It also defines the assumptions on which the issuer is jointly and severally liable.

Currently, the Income Tax Act establishes that a case of indirect transfer of shares occurs when, in any of the 12 months prior to the disposal, the market value of the shares or ownership interests of the domiciled legal entity is equivalent to 50 percent or more of the market value of the shares or ownership interests of the non-domiciled legal entity. Additionally, as a concurrent condition, it is established that a case of indirect transfer of shares also occurs when, in any period of 12 months, the disposal of shares or ownership interests representing 10 percent or more of the capital stock of a non–domiciled legal entity is performed.

According to Legislative Decree No. 1262, which amends Act No. 30341, Act that Promotes the Liquidity and Integration of the Securities Market, and through Emergency Decree No. 005-2019, until December 31, 2022, the income from the sale of the following securities is exempted from the Income Tax: a) Common and investment shares; b) American Depositary Receipts (ADR) and Global Depositary Receipts (GDR); c) Exchange Trade Fund units (ETF) having as underlying items shares and/or debt securities; d) Debt securities; e) Participation certificates in mutual funds of securities investment; and f) Participation certificates in Real Estate Investment Funds (FIRBI) and participation certificates in Real Estate Securitization Trusts (FIBRA).

In order to apply the exemption in the case of income arising from the disposal of shares, investment shares, ADR and GDR, and bonds convertible into shares, the following requisites must be complied:

1. Their sale must be performed through a centralized trading mechanism located in the country and supervised by the Superintendence of the Securities Market ("SMV" by its Spanish acronym).

2. Within a period of 12 months, the taxpayer and its related parties do not transfer, through one or several simultaneous or successive operations, the ownership of 10 percent or more of the entirety of stocks issued by the company. In the case of ADRs and GDRs, this requirement is determined considering the underlying shares.

   If this requirement is not met, the taxable base is determined considering all the transfers that had been exempted during the 12 months prior to the sale. The relationship is rated pursuant to paragraph b) of Article 32-A of the Income Tax Act.

3. The securities must have a stock market listing.
For the other securities included, it is required that the sale is settled through centralized negotiation mechanism supervised by the SMV and that it be seen with a stock market listing. In the case of negotiable invoices, only the disposal is required to be carried out through centralized negotiation mechanism supervised by the SMV.

Finally, it is established as cause of loss of the exemption if the issuer delists the securities from the Securities Registry of the Stock Exchange, in whole or in part, in one act or progressively, within the following 12 months after the sale is performed. Exceptions will be laid down in the Regulation.

(d) Regarding the Value Added tax credit ("IGV" by its acronym in Spanish), said tax is not levied on the interest accrued on securities issued by public or private offering by legal entities incorporated or established in Peru; as well as the interest accrued on securities not placed by public offering, when such securities have been purchased through any of the centralized trading mechanisms referred to in the Securities Market Act.

(e) For the purpose of determining the Income Tax, the transfer prices agreed for transactions between related entities, or for transactions conducted with or through entities domiciled in non-cooperating or low or zero tax countries or territories, or with entities or permanent establishments whose income, revenues or gains from said contracts are subject to a preferential tax regime, must be supported by documented information on the valuation methods applied and criteria used in the determination of such prices. On the basis of the analysis of the Bank's operations, in the opinion of Management and its internal legal advisors, the application of these tax standards will not have any material contingencies for the Bank as of December 31, 2020 and 2019.

Through Legislative Decree No. 1312, published on December 31, 2016, the formal obligations for entities included within the scope of application of Transfer Pricing are modified, thus incorporating three new informative affidavits: (i) Local Report; (ii) Master Report; and (iii) Country Report. The first validity is as of 2017 for the operations that occurred during 2016 and the last two as of 2018 for the operations that have occurred since the year 2017.

Through Legislative Decree No. 1381, published on August 24, 2018, the Income Tax Act incorporates the concept of "non-cooperating" countries or territories, as well as preferential tax regimes to which are imposed the defensive measures already existing for countries and territories with low or null taxation.

As of December 31, 2019, the Bank maintained a branch in Panama, a country that is regarded as "non-cooperating" as defined by Legislative Decree No.1381. Notwithstanding the aforementioned, as detailed in Note 1(a), as of the date of this report, the branch is no longer operating.

(f) In July 2018, through Act No. 30823, Congress delegated into the Executive Branch the power to legislate on various issues, including taxation and financial matters. In this sense, the main tax regulations issued were the following:

(i) Beginning on January 1, 2019, the treatment applicable to royalties and remunerations for services rendered by non-domiciled persons was modified, eliminating the obligation to pay the amount equivalent to the withholding due to the accounting record of the cost or expense. Now the income tax is withheld at the payment or accreditation of the compensation. In order for said cost or expense to be deductible for the local company, the remuneration must have been paid or credited up to the filing date of the annual tax return for the Income Tax (Legislative Decree No. 1369).

(ii) The rules that regulate the obligation of legal persons and/or legal entities to inform the identification of their final beneficiaries (Legislative Decree No. 1372) were established. These rules are applicable to legal entities domiciled in the country, in accordance with the provisions of Article 7 of the Income Tax Act, and legal entities established in the country. The obligation covers non-domiciled legal entities and legal entities established abroad, provided that: a) they have a branch, agency or other permanent establishment in the country; b) the natural or legal person who manages the autonomous patrimony or the investment funds from abroad, or the natural or legal person who has the status of protector or administrator, is domiciled in the country; c) any of the parts of a consortium is domiciled in the country. This obligation will be complied through the presentation to SUNAT of an informative Sworn Statement, which must contain the information of the final beneficiary and be submitted, in accordance with the regulations and within the deadlines established by Superintendence Resolution issued by SUNAT.

(iii) The Tax Code was amended regarding the application of the general anti-avoidance rule (Rule XVI of the Preliminary Title of the Tax Code); as well as to provide the Tax Administration with the legal tools for its effective implementation (Legislative Decree No. 1422).

As part of this amendment, a new assumption of joint and several liability is introduced, when the tax debtor is subject to the application of the measures provided by Rule XVI in the event that tax evasion cases are detected; in such case, the joint and several liability shall be attributed to the legal representatives provided that they have collaborated with the design or approval or execution of acts or situations or economic relations foreseen as elusive in Rule XVI. In the case of companies that have Board of Directors, it is up to this corporate body to define the tax strategy of the entity, having to decide on the approval or not of acts, situations or economic relations to be carried out within the framework of tax planning, this power being non-delegable. The acts, situations and economic relations carried out within the framework of fiscal planning and implemented on the date of entry into force of Legislative Decree No. 1422 (September 14, 2018) and which continue to have effect, must be evaluated by the Board of Directors of the legal entity for the purpose of ratification or modification until March 29, 2019, without prejudice to the fact that the management or other administrators of the Bank have approved the aforementioned acts, situations and economic relations.

Likewise, it has been established that the application of Rule XVI, regarding the re-characterization of tax evasion cases, will take place in the final audit procedures in which acts, events or situations produced since July 19, 2012, are reviewed.

(iv) Amendments to the Income Tax Act were included, effective as of January 1, 2019, to improve the tax treatment applicable to the following (Legislative Decree No. 1424):

- Income obtained from the indirect transfer of shares or capital representing participations of legal persons domiciled in the country. Among the most relevant changes is the inclusion of a new assumption on indirect sale, which is configured when the total amount of the shares of the domiciled legal entity whose indirect disposal is made is equal to or greater than 40,000 Tax Units.

- Permanent establishments of sole proprietorships, companies and entities of any nature incorporated abroad. For this purpose, new assumptions on permanent establishment have been included, among them, when the rendering of services in the country occurs, with respect to the same project, service or related one, for a period that exceeds 183 calendar days in total within any period of twelve months.

- The regime of tax credits against Income Tax for taxes paid abroad, to be included in the indirect credit (corporate tax paid by foreign subsidiaries) as credit applicable against the Income Tax of domiciled legal persons, in order to avoid the double economic taxation.

- The deduction of interest expenses for the determination of the corporate Income Tax. In the years 2019 and 2020, it shall be applicable the debt limit set at up to 3 times the net equity as of December 31 of the previous year, both to loans with related parties, and to loans with third parties contracted as of September 14, 2018. Beginning in 2021, the limit for the deduction of financial expenses shall be equivalent to 30 percent of the entity's EBITDA

(v) Regulations have been established for the accrual of income and expenses for tax purposes as of January 1, 2019 (Legislative Decree No. 1425). Until 2018, there was no normative definition of this concept, so in many cases accounting rules were used for its interpretation. In general terms, with the new criterion, for the purpose of determining the Income Tax, it shall be considered whether the substantial events for the generation of the income or expense agreed upon by the parties have occurred, provided they are not subject to a suspensory condition, in which case the recognition will be granted when it is fulfilled; the opportunity for collection or payment established shall not be taken into account; and, if the determination of the consideration depends on a future act or event, the total or part of the corresponding income or expense will be deferred until that act or event occurs

(g) Supreme Decree No. 430-2020-EF, published on December 31, 2020, approved the Regulation that establishes the financial information that the companies of the financial system must provide to SUNAT in the fight against tax evasion and avoidance pursuant to Legislative Decree No. 1434. Said Regulation entered into force on January 1, 2021.

Considering that, said Regulation stablished the concepts that the Bank must report to SUNAT, which are, among others, cumulative balances and/or amounts, averages or highest amounts and gains generated in the accounts during the reporting period that are equal to or higher than S/30,800 in said period. The information shall be provided to SUNAT semi-anually through informative declarations containing monthly information.

(h) Law No. 31106 extends until December 31, 2023, the validity of all the exemptions in force to date contained in Article 19 of the Income Tax Act.

On this regard, among the aforementioned extended exemptions that are applicable or related to the Bank's operations, are the following:

- Subsection i) of Article 19 which indicates that shall be exempted any type of fixed or variable interest rate, in local or foreign currency, that is paid for a deposit or levy pursuant to the General Act of the Banking and Insurance System and Organic Act of the Superintendence of Banking, Insurance and Private Pension Funds, Law No. 26702, as well as the capital increases of said deposits or levies, in local or foreign currency, except when said gains constitute third category income.

- Subsection l) of Article 19 indicates that shall be exempted the capital gain from the sale of transferable securities registered with the Public Registry of the Stock Exchange through centralized trading mechanisms referred to by the Securities Market Act; as well as the obtained from the sale of transferable securities out of centralized trading mechanisms provided that the sold item is a natural person, an indivisible succession or a conjugal society that opted to pay taxes as such.

(i) SUNAT is legally entitled to review and, if applicable, adjust the Income Tax computed by the Bank during a term of four years following the year in which a tax return was filed. The Bank's Income Tax returns for the years 2015 to 2020, and Value Added Tax returns for the years 2015 to 2020 are subject to review by SUNAT. Given the possible interpretations that SUNAT may give to the legislation in effect, up to date it is not possible to determine whether or not any review to be conducted would result in liabilities for the Bank; thus, any increased tax or surcharge that may arise from possible tax reviews would be applied to the results of the period in which such tax increase or surcharge may be determined.

On the other hand, in April 2004, June 2006, February 2007, June 2007, November 2007, October 2008 and December 2010, the Bank received a number of Tax Determination and Tax Penalty notices corresponding mainly to the income tax determination for the fiscal years 2000 to 2006. As a result, claims and appeals were filed and subsequent contentious administrative proceedings were started, with the exception of Income Tax 2006, which is still pending of being filed.

Regarding the tax litigations followed by the Bank related to the annual declaration of Income Tax for the years 2000 to 2006, the most relevant matter subject to discrepancy with SUNAT corresponds to whether the "interests in suspense" are subject to Income Tax or not. In this sense, the Bank considers that the interests in suspense do not constitute accrued income, in accordance with the SBS regulations and the IFRS, which is also supported by a ruling of the Permanent Chamber of Constitutional and Social Law of the Supreme Court issued in August 2009, and a recent pronouncement issued in June 2019.

Notwithstanding the foregoing, in February 2018, the Third Transitory Chamber of Constitutional and Social Law of the Supreme Court issued a ruling regarding a third bank that impacted the original estimation regarding the degree of contingency for this discrepancy. Subsequently, in June 2019, the Permanent Chamber of Constitutional and Social Law of the Supreme Court, in a case followed by another financial entity, but identical to the Bank's case, ruled in favor of the tax treatment over the interest in suspense followed by said entity. Likewise, on July 6, 2020, and December 28, 2020, the Permanent Chamber of Constitutional and Social Law of the Supreme Court notified the Bank its ruling regarding the Income Tax 2003 and prepaid income tax for the year 2003, declaring groundless the cassation appeals filed by SUNAT and the MEF, thus reaffirming the position held by the Bank regarding that interest in suspense does not constitute taxable income.

The tax liability requested for this concept and other minor contingencies as of December 31, 2020, amounts to approximately S/382,000,000, which includes the tax, fines and interest arrears, of which S/293,000,000 correspond to the interest in suspense and S/89,000,000 correspond to other minor repairs. From the tax and legal analysis performed, Bank´s Management and its external legal advisers consider that there exists sufficient technical support for the prevailing of the Bank's position; as consequence, no provision has been recorded for this contingency as of December 31, 2020 and 2019.

On February 3, 2017, SUNAT closed the audit process corresponding to the Income Tax for the year 2010**.** The Bank paid the debt under protest and filed a complaint. Subsequently, on November 6, 2018, SUNAT closed again the audit process corresponding to the Income Tax 2010, which had been reopened due to invalidity. The Bank filed a claim procedure and afterwards a tax appeal. Currently, the appeal is pending resolution by the Tax Court.

On February 14, 2018, SUNAT, through Letter No. 180011585680-01-SUNAT notified the Bank of the commencement of partial audit process corresponding to the Income Tax for the year 2014. Posteriorly, on September 7, 2018, SUNAT closed the partial audit process, and no additional payments of such tax were determined.

On January 14, 2019, the Bank was notified of the Determination and Penalty Resolutions corresponding to the audit of the Income Tax for the fiscal year 2013. To such date, the tax debt requested by SUNAT amounts to approximately S/50,000,000. The main concept observed was the deduction of loan write-offs without proof by the SBS.

As of December 31, 2020 and 2019, the tax debt requested for this concept and other minor contingencies amounts to approximately S/40 millions and S/39 millions, respectively, which comprises the tax, penalties and moratorium interest.

In the opinion of Management and its legal advisers, any eventual additional tax settlement would not be significant for the financial statements as of December 31, 2020 and 2019.

On April 26, 2019, SUNAT notified about the commencement of the definitive audit process on Income Tax withholdings of non-domiciled entities corresponding to the year 2018. To date, said audit is under process and SUNAT has not issued any resolutions.

On September 11, 2019, SUNAT notified the Bank about the commencement of the definitive audit process on Income Tax corresponding to the year 2014. To date, said audit is under process and no resolutions have been issued by SUNAT.

On December 12, 2019, SUNAT notified the Bank about the commencement of the definitive audit process on the Income Tax corresponding to the year 2015. To date, said audit is under process and SUNAT has not issued any resolutions.

On July 31, 2020, the Bank was notified of the Determination and Penalty Resolutions corresponding to the audit of the Income Tax for the fiscal year 2012. Al said date, the tax debt requested by SUNAT amounted to approximately S/13 millions. On August 27, 2020, the Bank filed a complaint appeal which is pending of resolution.

On February 12, 2021, the Bank was notified with the Resolution of Compliance related to the Income Tax and prepaid income tax of the year 2006 (related to litigations about interest in suspense). Through said Resolution, SUNAT increased the alleged tax debt from S/1 million to S/35 millions, because as a consequence of said Resolution of Compliance certain deductions previously recognized by SUNAT were unrecognized. Bank´s Management and its legal advisors will appeal said Resolution before the Tax Court, and in its opinion, no additional liabilities for the Bank will result as consequence of this matter.
In the opinion of Bank´s Management and its legal advisers, any eventual additional tax settlement would not be significant for the financial statements as of December 31, 2020 and 2019.

15. Contingent risks and commitments

(a) This caption is made up as follows:

	2020 S/(000)	2019 S/(000)
Contingent operations (b)		
Indirect loans, Note 5(a)		
Bank letters of guarantee and stand-by letters of credit	4,450,500	3,863,457
Import and export letters of credit	142,413	220,336
Due from bank acceptances	16,320	139,685
	4,609,233	4,223,478
Financial derivative instruments operations, Note 8(b)	12,408,091	17,232,922
Responsibilities for credit lines (c)	8,843,150	9,673,520
Responsibilities for credit lines – commercial and others (c)	1,110,408	1,287,973
Other contingent operations	451,506	385,255
Total contingent operations	27,422,388	32,803,148

(b) In the normal course of its operations, the Bank performs contingent operations (indirect loans). These transactions expose the Bank to additional credit risk beyond the amounts recognized in the statement of financial position.

The credit risk on contingent transactions is related to the probability that one of the parties to the respective agreement does not fulfill the terms laid out in said agreement. The corresponding contracts consider the amounts that the Bank would assume for credit losses on contingent transactions.

The Bank applies the same credit policies for granting and evaluating the provisions required for direct loans (see Note 5) when performing contingent operations, including obtaining guarantees when it deems it necessary. Guarantees vary and include deposits in financial institutions, securities or other assets.

Taking into account that many of the indirect loans are expected to expire without disburse of funds from the Bank, the total of contingent operations amounts do not necessarily represent future cash requirements.

(c) Responsibilities of credit lines include consumer, micro-business, small-business and corporate credit lines that are cancelable when the customer receives notice to that effect.

(d) The Bank provides services of custody, trustee, corporate administration, investment management and consulting to third parties, in which transactions are executed by the Bank on behalf of its customers but they do not bear any responsibility for the Bank regarding those decisions. Said assets are not included in these financial statements.

16. Interest income and expenses

This caption is made up as follows:

	2020 S/(000)	2019 S/(000)	2018 S/(000)
Interest income			
Interest and commissions on loan portfolios	3,597,485	3,788,038	3,328,255
Income from interests over investments	238,285	196,451	210,387
Interest on due from banks and inter-bank funds	27,394	107,491	47,203
Other income	1,924	2,819	3,912
Total Interest income	3,865,088	4,094,799	3,589,757
Interest expenses			
Interest and commissions on deposits and obligations	478,778	663,663	529,140
Interest on securities, bonds and other obligations outstanding	326,498	395,715	338,214
Interest and commissions for debts and financial obligations	171,913	160,949	160,980
Other expenses	6,688	10,698	12,396
Total interest expense	983,877	1,231,025	1,040,730

17. Income and expenses from financial services

This caption is made up as follows:

	2020 S/(000)	2019 S/(000)	2018 S/(000)
Income from financial services			
Commissions on credit cards	278,694	404,527	376,219
Income from insurance	183,819	190,717	177,900
Commissions for savings accounts, transfers and others	178,819	198,018	195,005
Commissions on contingent operations	52,680	56,324	61,945
Fee for collections services	41,305	41,336	37,310
Income from financial advisory services	33,051	47,911	53,119
Transactions at ATMs	28,783	48,405	51,428
Rates	4,607	8,004	11,978
Other	36,486	37,560	28,168
Total	838,244	1,032,802	993,072
Expenses from financial services			
Credit Cards	105,772	119,606	103,646
Insurances	101,792	99,660	143,372
Premiums paid to the Deposit Insurance Fund	56,177	45,200	40,697
Fees paid to foreign banks	15,105	17,172	15,324
Other	56,881	51,193	42,922
Total	335,727	332,831	345,961

18. Income (expense) **on financial transactions**

(a) This caption is made up as follows:

	2020 S/(000)	2019 S/(000)	2018 S/(000)
Gain on exchange difference and exchange operations	318,748	196,263	219,423
Income from sale and valuation of investments, net (b)	102,047	170,581	151,083
Equity share from investments in subsidiaries and associates, Note 6(b)	14,996	34,303	42,494
Gain on sale of loans (c)	12,962	11,311	13,615
(Loss) gain from trading derivatives financial products, net	(40,749)	64,614	(8,841)
Income from sale of subsidiary, Note 6(c)	-	52,580	-
Other	(502)	(431)	(248)
Total	407,502	529,221	417,526

(b) As of December 31, 2020, 2019 and 2018, include realized gains on available-for-sale investments, net of realized losses, which amount to S/101,443,000, S/151,045,000 and S/142,529,000, respectively.

(c) As of December 31, 2020, 2019 and 2018, the bank sold written-off loans, which amounted to S/625,406,000, S/587,895,000 and S/466,264,000, respectively. These sales were paid in cash and performed with unrelated third parties.

19. Administrative expenses

(a) This caption is made up as follows:

	2020 S/(000)	2019 S/(000)	2018 S/(000)
Services received from third parties (b)	691,622	723,048	659,644
Personnel and Board of Directors expenses (c)	591,554	656,822	619,082
Taxes and contributions	27,275	26,023	24,124
Total	1,310,451	1,405,893	1,302,850

(b) The services received from third parties include mostly transport services for valuables, repairing and maintenance services, office leases, advertising and public relations, telecommunications, professional fees, among others.

(c) The table below presents the composition of personnel and Board of Directors expenses:

	2020 S/(000)	2019 S/(000)	2018 S/(000)
Salaries	412,738	454,199	431,006
Legal and additional workers' profit sharing	50,696	89,613	80,151
Social security and pensions	43,220	43,752	41,123
Vacations, health insurance and others	40,585	26,657	32,563
Severance indemnities	33,589	34,347	25,708
Separation of personnel	10,726	8,254	8,531
Total	591,554	656,822	619,082

The average number of employees of the years 2020, 2019 and 2018 was 6,633, 6,825 and 6,807, respectively.

20. Other (expenses) income, net

This caption is made up as follows:

	2020 S/(000)	2019 S/(000)	2018 S/(000)
Services rendered to third parties	7,922	12,204	11,638
Leases and others	2,026	4,537	5,114
Gain on sale property, furniture and equipment	1,370	824	697
Donations	(5,490)	(5,352)	(5,068)
Provisions of assets received as payment and seized through legal actions	(254)	(4,163)	(10,345)
Other (expenses) income	(6,033)	2,849	624
Total other (expenses) income, net	(459)	10,899	2,660

21. Basic and diluted earnings per share

(a) Following is the calculation of the weighted average number of shares (net of treasury stock) and the basic and diluted earnings per share:

	Shares outstanding, net of treasury stock (in thousands)	Shares considered in calculation (in thousands)	Days in year	Weighted average number of shares (in thousands)
Year 2018				
Balance as of January 1, 2018	3,046,122	3,046,122	365	3,046,122
Capitalization of retained earnings performed in 2018, Note 13(a)	405,900	405,900	365	405,900
Capitalization of retained earnings performed in 2019, Note 13(a)	-	467,044	365	467,044
Capitalization of retained earnings performed in 2020, Note 13(a)	-	785,910	365	785,910
Balance as of December 31, 2018	3,452,022	4,704,976		4,704,976
Net income as of December 31, 2018				1,040,063
Basic and diluted earnings per share				0.221
Year 2019				
Balance as of January 1, 2019	3,452,022	3,452,022	365	3,452,022
Capitalization of retained earnings performed in 2019, Note 13(a)	467,044	467,044	365	467,044
Capitalization of retained earnings performed in 2020, Note 13(a)	-	785,910	365	785,910
Balance as of December 31, 2019	3,919,066	4,704,976		4,704,976
Net income as of December 31, 2019				1,221,516
Basic and diluted earnings per share				0.260
Year 2020				
Balance as of January 1, 2020	3,919,066	3,919,066	365	3,919,066
Capitalization of retained earnings performed in 2020, Note 13(a)	785,910	785,910	365	785,910
Balance as of December 31, 2020	4,704,976	4,704,976		4,704,976
Net income as of December 31, 2020				264,883
Basic and diluted earnings per share				0.056

22. Transactions with related parties

(a) The table below presents the main balances of the accounts the Bank keeps with shareholders, subsidiaries and related parties as of December 31, 2019 and 2018:

	2020			2019		
	Shareholders (*) S/(000)	Subsidiaries S/(000)	Related parties S/(000)	Shareholders (*) S/(000)	Subsidiaries S/(000)	Related parties S/(000)
Assets						
Cash and due from banks	-	-	4,633	-	-	4,278
Loan portfolio, net (b)	19	-	1,196,252	17	-	1,114,328
Available-for-sale investments	9,973	-	-	8,522	-	-
Other assets	-	101	80,553	-	78	74,966
Liabilities						
Deposits and obligations	277,645	19,370	689,987	395,247	32,230	782,418
Securities, bonds and other obligations outstanding	19,281	-	2,525	19,276	-	4,083
Other liabilities	-	-	207	-	-	196
Off-balance sheet accounts						
Contingent loans (b)	-	8,550	126,000	-	8,050	136,325
Derivatives held for trading	-	-	58,147	-	-	63,596
Income (expense)						
Interest income	320	2	69,073	3,535	-	70,170
Interest expenses	(3,498)	(284)	(7,224)	(4,038)	(616)	(18,011)
Other, net	1,225	6,928	(8,285)	13,151	13,414	55,010

(*) Includes the balances and transactions with direct and indirect shareholders. The loan portfolio balance corresponds to Intercorp Perú Ltd. and those related to deposits and obligations correspond mainly to Intercorp Financial Services Inc.

Under Peruvian legislation, all the loans to related parties must be granted on terms not more favorable than terms that the Bank offers to the public. Management believes that the Bank has fulfilled with all requirements set forth in prevailing regulation governing transactions carried out by related parties.

(b) As of December 31, 2020 and 2019, the detail of loans to shareholders and related entities is the following:

	2020			2019		
	Direct loans S/(000)	Contingent loans S/(000)	Total S/(000)	Direct Loans S/(000)	Contingent loans S/(000)	Total S/(000)
Supermercados Peruanos S.A.	329,001	717	329,718	319,256	680	319,936
Universidad Tecnológica del Perú S.A.C.	172,974	-	172,974	135,057	-	135,057
Inretail Pharma S.A.	109,176	7,281	116,457	140,137	6,628	146,765
GTP Inversionistas S.A.C.	109,529	-	109,529	100,243	-	100,243
Colegios Peruanos S.A.	89,854	1,905	91,759	65,808	1,829	67,637
Homecenters Peruanos S.A.	87,905	-	87,905	84,282	-	84,282
PF Interproperties Perú	35,000	25,733	60,733	-	21,567	21,567
Intralot de Perú S.A.	6,629	31,654	38,283	65	20,011	20,076
Centros de Salud Peruanos S.A.C.	37,604	-	37,604	37,602	-	37,602
Química Suiza S.A.	35,018	-	35,018	-	-	-
Cineplex S.A.	26,379	7,224	33,603	27,306	5,398	32,704
San Miguel Industrias Ecuador Sanmindec S.A.	32,910	-	32,910	32,910	-	32,910
Bembos S.A.C.	26,740	3,868	30,608	25,023	5,961	30,984
San Miguel Industrias Pet S.A.	9,873	14,147	24,020	33,071	21,135	54,206
Servicio de Transferencia Electrónica de Beneficios y Pagos S.A.	-	17,361	17,361	-	18,388	18,388
IDAT S.A.C.	17,241	-	17,241	-	-	-
Corporación Peruana de Restaurantes S.A.	10,149	148	10,297	10,137	928	11,065
EP Franquicias S.A.C.	10,034	26	10,060	9,844	458	10,302
EP de Restaurantes S.A.C.	9,349	90	9,439	9,215	150	9,365
Procesos de Medios de Pago S.A.	9,143	-	9,143	4,427	20,215	24,642
Internacional de Títulos Sociedad Titulizadora S.A.	-	8,550	8,550	-	8,050	8,050
Alert del Perú S.A.	8,028	300	8,328	7,835	561	8,396
Alameda Colonial S.A.	-	6,077	6,077	-	5,716	5,716
Tiendas Peruanas S.A.	5,961	-	5,961	8,133	-	8,133
Financiera Oh S.A.	6	860	866	55,025	578	55,603
Others	17,768	8,609	26,377	8,969	6,122	15,091
	1,196,271	134,550	1,330,821	1,114,345	144,375	1,258,720

(c) Loans to personnel -

The Bank grants loans to its employees and officers under terms that are similar to those offered to third parties with the various types of loans and other financial products available. Loans granted to employees mainly relate to mortgage loans and are presented in the caption "Loan portfolio, net" of the statement of financial position. The interest rates applied to employee loans are slightly lower than market interest rates; however, all other terms of the loans are substantially the same as those prevailing in the market. The balance of the loans to employees amounts was of S/218,803,000 and S/210,866,000, as of December 31, 2020 and 2019, respectively,

(d) Board of Directors fees –

The total fees paid to the Board of Directors amounted to approximately S/1,171,000 and S/1,680,000 for the years ended 2020 and 2019; these amounts are included in the captions "Administrative expenses" of the statement of income.

23. Financial instruments classification

The carrying amounts of financial assets and liabilities of each captions in the statement of financial position classified by category in accordance with IAS 39 "Financial Instruments" are presented as follows:

	2020						2019					
	Financial assets and liabilities designated at fair value						Financial assets and liabilities designated at fair value					
	Held for trading or hedging S/(000)	Loans and receivables S/(000)	Available-for-sale investments S/(000)	Held-to-maturity investments S/(000)	Financial liabilities at amortized cost S/(000)	Total S/(000)	Held for trading or hedging S/(000)	Loans and receivables S/(000)	Available-for-sale investments S/(000)	Held-to-maturity investments S/(000)	Financial liabilities at amortized cost S/(000)	Total S/(000)
Financial assets												
Cash and due from banks	-	17,698,659	-	-	-	17,698,659	-	9,776,507	-	-	-	9,776,507
Inter-bank funds	-	18,105	-	-	-	18,105	-	85,006	-	-	-	85,006
Investments at fair value through profit or loss-trading	190,331	-	-	-	-	190,331	4,788	-	-	-	-	4,788
Available-for-sale investments	-	-	6,068,687	-	-	6,068,687	-	-	3,362,741	-	-	3,362,741
Held-to-maturity investments	-	-	-	2,692,166	-	2,692,166	-	-	-	2,191,854	-	2,191,854
Loan portfolio, net	-	39,003,339	-	-	-	39,003,339	-	34,739,232	-	-	-	34,739,232
Other assets, net, Note 8(a)	364,624	298,951	-	-	-	663,575	225,530	738,654	-	-	-	964,184
	554,955	57,019,054	6,068,687	2,692,166	-	66,334,862	230,318	45,339,399	3,362,741	2,191,854	-	51,124,312
Financial Liabilities												
Deposits and obligations	-	-	-	-	43,290,599	43,290,599	-	-	-	-	34,080,052	34,080,052
Inter-bank funds	-	-	-	-	28,971	28,971	-	-	-	-	169,138	169,138
Deposits from financial entities	-	-	-	-	1,305,607	1,305,607	-	-	-	-	1,529,938	1,529,938
Payables from repurchase agreements	-	-	-	-	7,775,776	7,775,776	-	-	-	-	1,937,018	1,937,018
Debts and financial obligations	-	-	-	-	1,583,380	1,583,380	-	-	-	-	1,725,232	1,725,232
Securities, bonds and obligations outstanding	-	-	-	-	6,498,845	6,498,845	-	-	-	-	5,815,626	5,815,626
Provision and other liabilities, Note 8(a)	269,632	-	-	-	780,905	1,050,537	215,671	-	-	-	699,280	914,951
	269,632	-	-	-	61,264,083	61,533,715	215,671	-	-	-	45,956,284	46,171,955

24. Financial risk management

It comprises the management of the main risks that the Bank is exposed to due to the nature of its operations: credit risk, market risk, liquidity risk and operational risk.

- Credit risk: Probability of loss due to inability or unwillingness to pay of the debtors, counterparts or third parties bound to comply with their contractual obligations.
- Market risk: Probability of losses in positions on and off-balance sheets resulting from variations in market conditions, including the following type of risks: exchange rate, interest rate type, price, among other.
- Liquidity risk: Probability of loss due to noncompliance with the requirements of financing and fund application that arise from imbalances of cash flows and after the equity position.
- Operational risk: Probability of losses due to inadequate processes, personnel and information technologies failures, or external events.

In order to manage said risks, the Bank has a structure and organization specialized in the management, measurement and reporting systems, and mitigation and coverage processes.

(a) Structure and organization of risk management -

The Bank has a managerial and governance structure that allows it to adequately articulate the management and control of the risks it is exposed to.

(i) Board of Directors

The Bank's Board of Directors is responsible of establishing an appropriate and integral risk management and enabling an internal environment that facilitates its control. The Board is permanently informed about the exposure degree of the diverse risks managed by the Bank.

The Board has created several specialized committees to which it has delegated specific tasks in order to enhance risk management and internal control.

(ii) Comprehensive Risk Management Committee

The Comprehensive Risk Management Committee ("GIR", by its Spanish acronym) is a corporate body created by Board's agreement. It is responsible of approving the policies and organization for the comprehensive risk management as well as the amendments to said policies. This GIR Committee defines the level of tolerance and the exposure degree to risk that the Bank is willing to assume when conducting its business and also decides the necessary actions aimed to implement the required corrective measures in case of deviations from the levels of tolerance to risk. The GIR Committee is comprised by two members of the Board, the Chief Executive Officer and the Vice-Presidents. The GIR Committee reports monthly to the Board the main issues it has discussed and the agreements adopted in their respective meetings.

(iii) Audit Committee

The Audit Committee is a corporate body created by Board's agreement. Its main purpose is to surveil the appropriateness of the processes of accounting and financial reporting, as well as to evaluate the activities performed by the auditors, both internal and external. The Committee is comprised by three members of the Board and can also have the participation of the Chief Executive Officer, the Manager of the Internal Audit Division, the Vice-president of Corporate and Legal Affairs and other Bank's executives, as required. The Committee gathers at least six times a year in ordinary sessions and submits a copy of its Minutes to the Board, thus informing the most relevant issues discussed.

(iv) Assets and Liabilities Committee

The Assets and Liabilities Committee (henceforth "ALCO") is a corporate body created by Board's agreement. Its main purpose is to manage the structure of the Bank's financial position, in function of its profitability and risk targets. The ALCO is also responsible for the proposition of new products or operations that contain components of market risk. Likewise, it is the communication channel with the units that generate market risks. The ALCO meets monthly and is comprised by the Chief Executive Officer, the Vice-Presidents of the divisions of Capital Markets, Finance, Risks, Commercial, Retail Business, Distribution Channels, Operations, and the Manager of the Position Desk, and has as permanent guests the Manager of Market Risk and the Manager of Planning and Control Management.

(v) Chief Executive Officer

The Chief Executive Officer has the responsibility of implementing an adequate comprehensive risk management. He also directs and coordinates the efforts of the different commercial and supporting Vice-Presidencies, aiming to establish an adequate balance between risk and profitability. The Vice-Presidency of Risks is a first line body that reports directly to the Chief Executive Officer, and it is in charge of proposing the policies, procedures and methodologies for a competent comprehensive risk management, and of promoting the alignment of the actions aimed to manage the Bank's risks with the levels of risk appetite and risk tolerance, as well as the development of appropriate controls. The Vice-Presidency of Risks is comprised by the following divisions: Corporate Risks Screening, Business Risks Screening, Risks and Recoveries Tracking, Operational Risk, Retail Banking Risks, Small-Businesses Banking Risks, Market Risk, Collections and the Department of Credit Risk Management Models.

(vi) Internal Audit

The Internal Audit Division reports functionally to the Board. It provides with independent services and objectives of assurance and consultancy. It also supports the Bank into meeting its objectives through the application of a systemic and disciplined approach in order to assess and enhance the efficiency of its governance processes, risk management and control.

(b) Risk measurement and reporting systems -

The Bank uses different models and rating tools at the client or product level in order to manage risks. These tools measure and value the risk with a prospective vision, thus allowing the making of better risks decisions in the different stages or life cycle of each loan.

Said tools are permanently monitored and periodically validated in order to assure that the levels of prediction and performance are being maintained, and to make the corrective actions or adjustments to the models, when needed.

Risk control is performed on a budgetary basis. Annually, the Bank establishes the commercial strategy by banking service or by product, as well as the maximum risk level to be taken, with the purpose of obtaining a desired profitability and a target level of capital or solvency.

The risk management indicators are permanently reviewed and assessed, with the purpose of identifying possible deviations in the risk profile with respect to the stipulated risk appetite and thus applying timely corrective actions. This information is monthly submitted to the GIR, and periodically to the Board.

(c) Risk mitigation and risk coverage -

The credit risk is the main risk to be managed by the Bank and in order to mitigate its exposure to it and provide with adequate risk coverage, it has established a series of measures, among which the following stand out:

- Policies, procedures, methodologies, models and parameters aimed to allow to identify, measure, control and report credit risk.
- Reviewing and assessment of credit risk through specialized units of risk screening which are independent from the Bank's Commercial Division and which assess all the credit risks prior to the loan approvals or prior to the acquisitions of specific investments.
- Timely monitoring and tracking of credit risk and its maintaining within a defined tolerance level.
- Compliance with regulatory limits and establishment of internal limits for the exposure concentrations to debtors and counterparties, such as those related to sector concentration (for loans), by issuer, credit rating and liquidity.
- Procedures for the management of guarantees backing the loans granted, so that said guarantees can effectively mitigate the assumed risk.

Likewise, as part of the comprehensive risk management, in certain circumstances the Bank uses derivative financial instruments to mitigate the risk exposure, which arises from the variations in interest rates and exchange rates.

(d) Risk concentration -
Through its policies and procedures, the Bank establishes the patterns and mechanisms needed to prevent an excessive risk concentration as well as to allow a diversified portfolio. In case any concentration risk is identified, the Bank works with specialized units whose aim is to control and manage said risks. For instance, the Bank performs a monthly monitoring of industry concentration for its Commercial Banking clients, as established in the Manual of Tracking Policies on Commercial Banking, and whose limits are monitored and controlled by the Division of Risk and Recoveries Tracking, considering the relevant regulation and the legal limits stipulated by the SBS.

24.1 Credit risk

It is defined as the likelihood of incurring in financial losses originated by the breaching of the contractual obligations by a counterpart or bound third parties due to insolvency, inability or lack of willingness to pay.

(a) The Bank opts for a risk policy that ensures a sustained and profitable growth in all its products. In doing so, it applies assessment procedures for the adequate decision-making, tools and methodologies that allow the identification, measurement, mitigation and control of the different risk in the most efficient manner and in accordance to SBS regulations. Likewise, the Bank develops management models that allow an adequate measurement, quantification and monitoring of the loans granted by each business unit, and also encouraging the continuous improvement of its policies, tools, methodologies and processes.

The Bank’s exposure to credit risk is managed through the permanent assessment of the debtors’ and potential debtors’ ability to comply with the interests and principal payments of their obligations and through the change in the loan limits when appropriate. The exposure to credit risk is also partly managed through personal and corporate guarantees, but there is a significant portion of the loans upon which said guarantees cannot be obtained.

The Bank performs indirect transactions, such as letters of guarantee, endorsement letters and letters of credit, that represent a credit risk if the customer breaches the conditions of the agreed credit.

The Bank applies the same policies used to granting and assessment of the indirect loans (see Note 15(b)) and includes obtaining of guarantees whenever it deems necessary.

(i) Management of guarantees -

(i.1) Policies and procedures for guarantees management and valuation

The Bank's policy for credit risk mitigation comes from its business conceptualization, which is thoroughly centered in relationship banking. Within this framework, guarantees requirement can be a necessary but not sufficient instrument for risk concession.

The Bank has policies and guidelines established for the management of guarantees received as collaterals of loans granted, which allows them to mitigate the assumed credit risk. Assets that guarantee loan operations bear a certain value prior to the loans approving and the procedures for their updating are described in the Manual of Appraisal for Guarantees, which contains what is established by the SBS Resolution No.11356-2008 "Regulation on Debtors Assessment and Classification and Provision Requirements" and its amendments.

In order to manage guarantees, the Bank operates specialized divisions on the constitution, management and release of guarantees.

(i.2) Types of guarantee

Guarantees that back loan operations are constituted by different goods and property, securities and financial instruments, and their preferential statuses depend on the following conditions:

- Easy convertibility into cash, which can be used to pay the guaranteed obligation.
- Proper legal documentation, duly registered at the corresponding public records.
- Do not present previous obligations that could reduce their value.
- Their value is updated.

(b) Maximum exposure to credit risk -

As of December 31, 2020 and 2019, Management estimates that the maximum credit risk to which the Bank is exposed is represented by the book value of the financial assets which show a potential credit risk and consist mostly of deposits in banks, active inter-bank funds, available-for-sale investments, held-to-maturity investments, the loan portfolio (direct and indirect), without considering the fair value of the guarantees and collaterals, derivatives financial instruments transactions and other monetary assets. The exposure for any borrower, including banks and investments, is further structured by sub-limits covering on and off-balance sheet exposures (contingent account) and daily delivery risk limits for trading items such as forward foreign exchange contracts. Actual exposure against limits is daily monitored.

In that sense, as of December 31, 2020 and 2019:

- 93.7 percent and 94.8 percent, respectively, of the loan portfolio are classified into the two upper levels defined by the SBS.
- 93.7 percent and 94.8 percent respectively, of the loans are deemed non-past-due and non-impaired.
- 98.3 percent and 97.8 percent, respectively, of available-for-sale investments and held-to-maturity investments are rated investment grade (BBB- or higher) or are debt instruments issued by the BCRP or the Peruvian Government.
- 91.8 percent and 79.1 percent, respectively, of the available funds represent the amounts deposited in the vaults of the BCRP, being the balance in local and international financial entities of first level.
- In addition, as of December 31, 2020 and 2019, the Bank holds loans (direct and indirect) granted to entities related to the infrastructure sector that, since last year, have been exposed to local and international events, for an amount of approximately S/1,063,905,000 (S/216,833,000 in direct loans and S/847,072,000 in indirect loans) and S/790,771,000 (S/168,576,000 in direct loans and S/622,195,000 in indirect loans), respectively. The performance of these instruments will depend on the future development of the aforementioned events, which are out of the Bank control. However, it is important to mention that direct loans have guarantees and coverage that significantly reduce credit risk.

Regarding the assessment of the loan portfolio, the Bank performs the classification of debtors into the risk categories established by the SBS and according to the classification criteria set for each loan type that is, for the debtors belonging to the Commercial, Small and Micro-Business, Consumer and Mortgage portfolios. The debtor classification into their corresponding categories is determined by following the criteria set by SBS Resolution No.11356-2008 "Regulation on the Assessment and Classification of Debtors and Provision Requirements" and amendments; see Note 2(e).

(c) Credit risk management for loan placements –

In order to perform credit risk management, the Vice-Presidency of Risks applies processes to each business segment which comprise three fundamental stages: risk screening, risk tracking and their monitoring, and recovery of troubled portfolio. These processes have the purpose of maintaining a loan quality according to the appetite for risk defined by the Bank's Senior Management.

The process of loan admission is fundamentally based on the good knowledge on the client and its economic activity, being determining the evaluation of its payment ability, credit history and solvency. This process leans on the applying of risk management methodologies and tools that allow to measure and value the risk quality of the loan to be granted, through models and automatic qualification systems for loan admission.

The portfolio tracking and monitoring process is performed through an integrated system of alerts aimed to early detect the credit risk, which allow the identification of clients exposed to potential risks that would affect their payment ability with a possible impact on their credit evolution and upon which there must be taken immediate preventive, corrective and tracking actions. In order to do so, the Bank applies systems, models and guidelines which allow the tracking of debtors regarding the evolution of the detected risks, decision-making and management of said risks to achieve their normalization or collection.

For each business segment, a permanent monitoring is performed on the portfolio's main trends, in terms of the evolution of quality indicators, economic sector and geographic concentration, among others.

Lastly, the collection process of the troubled loan portfolio is performed through a set of coordinated actions which are applied for the adequate and timely recovery of loans. Their purpose is to minimize losses in loans exposed to high credit risk.

(d) Rescheduled loans

A mentioned in Note 1(b), because of the National State of Health Emergency and the National State of Emergency due to the Covid-19 pandemic, the SBS has issued diverse exceptional measures aimed to mitigate the financial and economic impact on clients of the financial system, the main measure adopted by the SBS is described in Note 2 (a)(ii).

In that sense, the Bank, aligning to said measures, has granted facilities to its clients aimed to reschedule their loans, thus offering three types of rescheduling:

- Unilateral: loans that the Bank reschedules proactively over part of the loan´s balance.
- Landing: loans rescheduled at the client's request over part of the loan's balance.
- Structural: loans rescheduled proactively by the Bank or at the client's request and over the entire loan's balance.

These rescheduled loans have been offered to all clients who were up to date with their payments as of February 29, 2020, or who at said date presented a maximum of 30 days past due in their payments (initially to clients who presented 15 days past due at said date), generating that for accounting purposes these loans do not impair, due to the changes in the payment schedules and/or grace periods granted to clients under these three types of rescheduling.

The rescheduled loans granted by the Bank have not generated changes in the risk classification of its clients; therefore and pursuant to SBS's indications, it has not been necessary to constitute additional provisions; however, considering the detailed monitoring performed by the Vice-Presidency of Risks of the economic situation of the country due to the crisis generated by Covid-19, it has been identified an increase in the credit risk of rescheduled clients and, together with Bank´s Management, have decided to constitute voluntary provisions in order to face this risk, which amount to S/637,491,000 as of December 31, 2020.

Likewise, for clients who as of February 29, 2020, presented past due payments longer than 15 days, the Bank, pursuant to the SBS's mandates, has suspended the counting of past due days until August 31, 2020. This measure generated that for accounting purposes the impaired loan stops being impairing further, thus it is not required to be assigned a higher risk classification, so that the Bank did not need to constitute higher provisions to face this impairment. Notwithstanding the aforementioned, the Vice-Presidency of Risk assessed the situation and quantified that if the counting of past due days was not suspended for these clients, as of December 31, 2020, the Bank would have constituted specific provisions for an amount of S/65,739,000; in this sense, the Bank constituted additional voluntary provisions to face the risk for said amount.

In Management's opinion, the Bank has sufficient voluntary and specific provisions to face the increase of credit risk of these rescheduled loans.

The table below presents three groups of direct loans: (i) Non-past-due and non-impaired loans, which comprise direct loans that currently do not present delinquency characteristics and are related to clients classified as "Normal" and "with Potential problems"; (ii) Past-due but non impaired loans, which comprise past-due loans to clients classified as "Normal" or "with Potential problems"; and (iii) impaired loans, those past-due loans classified as "Substandard", "Doubtful" or "Loss". It also presents the provision for loan losses for each loan type.

	2020						2019					
Loan classification	**Commercial loans** S/(000)	**Consumer loans** S/(000)	**Mortgage loans** S/(000)	**Small and micro-business loans** S/(000)	**Total** S/(000)	**%**	**Commercial loans** S/(000)	**Consumer loans** S/(000)	**Mortgage loans** S/(000)	**Small and micro-business loans** S/(000)	**Total** S/(000)	**%**
Neither past due nor impaired												
Normal	19,618,015	9,658,926	7,163,437	1,808,930	38,249,308	98	14,868,638	11,544,083	6,678,283	661,459	33,752,463	98
With potential problems	257,727	356,818	84,165	19,263	717,973	2	101,167	325,984	102,869	20,136	550,156	2
	19,875,742	10,015,744	7,247,602	1,828,193	38,967,281	100	14,969,805	11,870,067	6,781,152	681,595	34,302,619	100
Past due but not impaired												
Normal	3,640	37	-	-	3,677	-	2,070	36	-	1	2,107	-
With potential problems	5,886	122	177	-	6,185	-	5,609	9	275	-	5,893	-
	9,526	159	177	-	9,862	-	7,679	45	275	1	8,000	-
Impaired												
Substandard	210,066	372,360	96,560	23,005	701,991	2	170,357	254,134	94,455	11,196	530,142	1
Doubtful	67,982	513,451	163,702	38,794	783,929	2	67,327	385,682	110,082	14,213	577,304	2
Loss	201,382	629,736	246,771	52,903	1,130,792	3	158,155	311,639	234,925	43,121	747,840	2
	479,430	1,515,547	507,033	114,702	2,616,712	7	395,839	951,455	439,462	68,530	1,855,286	5
Total loan portfolio gross	20,364,698	11,531,450	7,754,812	1,942,895	41,593,855	107	15,373,323	12,821,567	7,220,889	750,126	36,165,905	105
Less: Provision for loan losses	500,386(*)	1,851,469(*)	355,270	149,404(*)	2,856,529	7	421,452(*)	889,299(*)	300,230	63,025(*)	1,674,006	5
Total, net	19,864,312	9,679,981	7,399,542	1,793,491	38,737,326	100	14,951,871	11,932,268	6,920,659	687,101	34,491,899	100

(*) As of December 31, 2020 and 2019, the provision for indirect loans of S/104,139,000 y S/83,485,000 that are presented in the caption "Provisions and other liabilities" is excluded; see Note 8(a).

As of December 31, 2020 and 2019, the refinanced outstanding loans amount to S/287,119,000 y S/251,180,000, respectively. The past due refinanced credits as of said dates amounted to S/81,574,000 y S/72,935,000, respectively, of which S/892,000 and S/1,485,000, respectively, are classified as past due but not impaired and S/80,682,000 and S/71,450,000, respectively, as impaired.

Considering the Multiple Official Letters issued by the SBS, see Note 2(b)(ii), the Bank modified the contractual conditions of loans that as of February 29, 2020, were up to date with their payments or presented lees than 30 days past due, without said modification resulting in a "refinanced loan". The amount of the rescheduled loans amounted to approximately S/12,663,960,000, which are not deemed as refinanced loans pursuant to said Multiple Official Letters. As of December 31, 2020, the balances of rescheduled loans not deemed as "refinanced loans", for the aforementioned concept, amount to approximately S/10,489,296,000.
In accordance with Multiple Official Letter No.10250-2017-SBS issued in March 2017 and other related rules issued by the SBS, the Bank modified the contractual conditions of loans granted in areas affected by the weather phenomenon ("El Niño Costero Event") that occurred in Peru during the first half of 2017, without the modification resulting in a "refinanced loan". The balance of the rescheduled loans amounted to approximately S/388,000,000, which following said Official Letter are not considered as "refinanced loans". As of December 31, 2020 and 2019, the balance of the reprogrammed credits and not considered as "refinanced credits", for the aforementioned concept amounts to approximately S/49,800,000 and S/69,100,000, respectively. Following is the detail of the gross amount of impaired loans by loan type, along with the estimated fair value of the related guarantee and the amounts of the provision for loan losses:

	2020				
Impaired loans	**Commercial loans** S/(000)	**Consumer loans** S/(000)	**Mortgage Loans** S/(000)	**Small and micro-business loans** S/(000)	**Total** S/(000)
Impaired loans	479,430	1,515,547	507,033	114,702	2,616,712
Fair value of collateral	486,847	99,032	813,206	47,745	1,446,830
Provision for loan losses	219,989	1,026,594	255,023	73,192	1,574,798

	2019				
Impaired loans	**Commercial loans** S/(000)	**Consumer loans** S/(000)	**Mortgage loans** S/(000)	**Small and micro-business loans** S/(000)	**Total** S/(000)
Impaired loans	395,839	951,455	439,462	68,530	1,855,286
Fair value of collateral	536,585	68,082	647,083	42,5642	1,294,314
Provision for loan losses	178,981	602,658	224,565	52,145	1,058,349

(d) Credit risk management for investments

The Bank controls the credit risk of its investments based on the risk assessment of issuers and instruments. In the case of investments abroad, the assessment takes into account the ratings issued by international agencies as well as the country-risk of the issuer's country, which is assessed considering its main macroeconomic variables. Due to the recent situation, where financial markets have been addressing the impacts generated by Covid-19, the Bank periodically evaluates the following impairment alerts, to identify in a timely manner an increase in the credit risk of its investments:

- Reduction in any of the credit ratings of the instrument or issuer, by at least two (02) "notches", from the time the instrument was acquired; where a "notch" corresponds to the minimum difference between two risk ratings within the same rating scale.
- Weakening of the financial situation or financial ratios of the issuer and his economic group.
- Violations of "covenants" without waiver from the committee of obligations

The table below presents the risk classification of investments at fair value through profit or loss – trading, available-for-sale and held-to-maturity:

	2020		2019	
	S/(000)	%	S/(000)	%
Instruments issued and rated in Peru:				
AAA	14,391	0.2	13,707	0.2
AA- to AA+	3,482	0.0	3,612	0.1
A – to A+	-	-	60	0.0
	17,873	0.2	17,379	0.3
Instruments issued in Peru and rated abroad:				
A- to A+	5,627,169	62.9	3,250,884	58.5
BBB- to BBB+	1,423,268	15.9	464,128	8.3
BB- to BB+	-	-	41,313	0.7
	7,050,437	78.8	3,756,325	67.5
Instruments issued and rated abroad:				
A- to A+	88,898	1.0	6,143	0.1
BBB- to BBB+	174,909	1.9	215,733	3.9
	263,807	2.9	221,876	4.0
Unrated				
Certificates of Deposit issued by BCRP	1,466,615	16.4	1,483,494	26.7
Shares -				
Intercorp Financial Services Inc.	2,264	-	-	-
Other	1,913	-	1,789	-
Total	8,802,909	98.3	5,480,863	98.6
Accrued interests	148,275	1.7	78,520	1.4
Total	8,951,184	100	5,559,383	100.0

(e) Financial instruments exposed to credit risk -

Concentration of financial instruments exposed to credit risk.

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

	2020					2019				
	Designated at fair value through profit or loss					Designated at fair value through profit or loss				
	Held for trading or hedging S/(000)	Loans and receivables S/(000)	Available-for-sale investments S/(000)	Held-to-maturity investments S/(000)	Total S/(000)	Held for trading or hedging S/(000)	Loans and receivables S/(000)	Available-for-sale investments S/(000)	Held-to-maturity investments S/(000)	Total S/(000)
Financial services	273,009	18,712,001(**)	492,369	-	19,477,379	188,650	11,041,209(**)	489,902	-	11,719,761
Consumer loans	-	9,730,443	-	-	9,730,443	-	12,017,609	-	-	12,017,609
National Government	183,931	-	5,423,804(*)	2,635,798	8,243,533	-	-	2,719,716(*)	2,145,643	4,865,359
Mortgage loans	-	7,394,721	-	-	7,394,721	-	6,929,795	-	-	6,929,795
Commerce	682	5,529,921	-	-	5,530,603	781	3,146,247	-	-	3,147,028
Manufacturing	16,343	4,261,409	15,584	-	4,293,336	1,818	3,900,254	28,936	-	3,931,008
Business activity	-	3,741,541		-	3,741,541	-	2,473,309	-	-	2,473,309
Agriculture	8,171	1,465,167	-	-	1,473,338	4,001	1,210,716	-	-	1,214,717
Communications, storage and transportation	270	1,330,666	3,482	-	1,334,418	1,672	930,430	3,612	-	935,714
Electricity, gas and water	42,419	1,016,859	41,589	-	1,100,867	21,180	685,080	59,450	-	765,710
Leaseholds and real estate activities	7,725	902,300	-	-	910,025	2,387	786,591	-	-	788,978
Mining	2,551	740,356	-	-	742,907	-	567,456	24,306	-	591,762
Construction	3,583	688,897	-	-	692,480	1,059	435,269	4,568	-	440,896
Education, health and other services	3,941	424,448	-	-	428,389	2,667	261,617	-	-	264,284
Community services	-	313,050	-	-	313,050	-	222,629	-	-	222,629
Fishing	2,349	307,023	-	-	309,372	2,918	259,331	-	-	262,249
Public administration and defense	-	155,918	-	-	155,918	-	190,740	-	-	190,740
Other	9,933	38,321	-	-	48,254	3,127	33,784	-	-	36,911
Total	554,907	56,753,041	5,976,828	2,635,798	65,920,574	230,260	45,092,066	3,330,490	2,145,643	50,798,459
Interests	48	266,013	91,859	56,368	414,288	58	247,333	32,251	46,211	325,853
Total	554,955	57,019,054	6,068,687	2,692,166	66,334,862	230,318	45,339,399	3,362,741	2,191,854	51,124,312

(*) Corresponds to Sovereign Bonds and BCRP Certificates of Deposit and global bonds issued by the United States of America and emerging countries.

(**) Includes available funds deposited in the vaults of the Bank, BCRP, banks abroad and the inter-bank funds.

As of December 31, 2020 and 2019, the financial instruments exposed to credit risk according to geographic area are the following:

	2020					2019				
	Designated at fair value through profit or loss					Designated at fair value through profit or loss				
	Held for trading or hedging S/(000)	Loans and receivables S/(000)	Available-for-sale investments S/(000)	Held-to-maturity investments S/(000)	Total S/(000)	Held for trading or hedging S/(000)	Loans and receivables S/(000)	Available-for-sale investments S/(000)	Held-to-maturity investments S/(000)	Total S/(000)
Peru	290,881	55,141,435	5,714,304	2,635,798	63,782,418	53,053	43,873,699	3,106,825	2,145,643	49,179,220
United States of America	126,303	656,317	49,805	-	832,425	63,965	541,214	-	-	605,179
Supranational	-	-	22,259	-	22,259	-	-	-	-	-
Colombia	-	27,845	165,506	-	193,351	-	129	189,155	-	189,284
Brazil	-	151,125	-	-	151,125	-	58,996	-	-	58,996
Germany	-	101,629	-	-	101,629	-	86,931	-	-	86,931
Ecuador	-	92,805	-	-	92,805	-	90,443	-	-	90,443
Cayman Islands	-	71,913	-	-	71,913	-	104,160	-	-	104,160
France	67,601	4,075	-	-	71,676	-	-	-	-	-
Spain	15,450	53,169	-	-	68,619	-	16,388	-	-	16,388
Belgium	-	55,343	-	-	55,343	-	120,112	-	-	120,112
United Kingdom	40,028	640	-	-	40,668	41,619	2,322	-	-	43,941
Chile	-	21,347	16,834	-	38,181	-	-	6,143	-	6,143
Mexico	5,460	5,945	3,943	-	15,348	-	-	10,578	-	10,578
Panama	-	220,414	2,383	-	222,797	-	166,866	16,147	-	183,013
Others	9,184	149,039	1,794	-	160,017	71,623	30,806	1,642	-	104,071
Total	554,907	56,753,041	5,976,828	2,635,798	65,920,574	230,260	45,092,066	3,330,490	2,145,643	50,798,459
Accrued Interest	48	266,013	91,859	56,368	414,288	58	247,333	32,251	46,211	325,853
Total	554,955	57,019,054	6,068,687	2,692,166	66,334,862	230,318	45,339,399	3,362,741	2,191,854	51,124,312

24.2 Market risk -

Market risk is the probability of loss due to variations in financial market conditions. The main variations to which the Bank is exposed to are: exchange rates, interest rates and prices. Said variations can affect the value of the Bank's financial assets and liabilities. On the other hand, it is important to mention that due to the Covid-19 pandemic, these market risks are more tends to have more pronounced fluctuations, due to instability in financial markets; in this situation, the Bank has been regularly monitoring these fluctuations in order to quantify the impact of fluctuations in the recovery of its financial assets and liabilities.

The Bank separates exposures to market risk into two blocks: Trading Book, which comprises positions in liquid investments, and Banking Book, which comprises banking assets and liabilities inherent to the intermediation business (mainly deposits and loans) whose exposure to market risk arises from the changes in portfolio structural positions.

(a) Trading Book -

In order to control and monitor the risks arising from the volatility of risk factors involved within each instrument, maximum exposure limits have been established on currency, investment type, Value-at-Risk (VaR), which are controlled on a daily basis. Likewise, reports to the GIR and ALCO committees are submitted regularly.

The main technique used to measure and control market risk is VaR, which is a statistical measurement that quantifies the maximum loss expected for the investment portfolio for a period of time and a determined significance level under normal market conditions. The Bank uses the Monte Carlo VaR model for a period of ten days, which has exponential volatility and a 99-confidence level. The VaR is calculated through each risk factor: interest rate, exchange rate and investment type (derivatives, fixed income and variable income).

VaR models are designed to measure the market risk within a normal market environment. Those models assume that all modifications in risk factors affecting the use of weighted historical data will follow a normal distribution. Said distribution is calculated through the use of weighted historical data in an exponential manner. Given that VaR is based mainly on historical data to provide information and does not clearly predict future changes and modifications in risk factors, the probability of big market movements may be underestimated. VaR can also be under or overestimated due to the hypotheses made on the risk factors and the relation among these factors with the specific instruments. In order to determine the reliability of VaR models, the actual results are regularly monitored to prove the validity of the assumptions and parameters used in the calculation of VaR.

The Bank includes within the VaR calculation the potential loss that may arise from the exposure to exchange risk. This risk is included in the calculation because the exchange position is the result of the spot position plus the position in derivative products. Likewise, the total VaR includes the diversification effect that arises as result of the interaction of diverse market risk factors to which the Bank is exposed.

The validity of the VaR calculation is proven through a back-testing proof, which uses historical data to ensure that the model adequately estimates the potential losses. Additionally, it is calculated the risk factors sensitivity, which shows the potential portfolio losses in the face of determined fluctuations in factors. Said fluctuations include: interest rate shocks, exchange rate shocks and price shocks.

It is worth mentioning that according to SBS Resolution No.6328-2009 "Regulation on Effective Equity Requirements for Market Risk", the following available-for-sale investments are also included as part of the trading portfolio in the calculation of VaR:

- Debt securities:
    - Sovereign risk exposures of the Republic of Peru on CDBCRP, Sovereign Bonds (excluding VAC Bonds) and Global Bonds.

- Equities:
    - Shares that are listed in the General Index of the Lima Stock Exchange.
    - Participations in open investment collective schemes whose fund is invested in at least 70 percent in equities.

The VaR results of the portfolio by asset type are presented in the table below:

	2020 S/(000)	2019 S/(000)
Debt investments	72,760	11,380
Derivatives	43,720	2,136
Diversification effect	(53,042)	(1,577)
Diversification VaR by asset type (*)	63,438	11,939

VaR results by risk type are the following:

	2020 S/(000)	2019 S/(000)
Exchange risk	11,011	1,222
Interest rate risk	62,660	18,277
Diversification effect	(10,233)	(7,560)
Diversification VaR by risk type (*)	63,438	11,939

(*) The total VaR is smaller than its components due to the benefits of risk diversification.

(b) Banking Book -

The Bank holds positions that are not actively traded which are part of its assets and liabilities. These positions include all loan placements and funds raised through the Bank's intermediation business, as well as certain investments that are not deemed as trading.

(i) Interest rate risk -

Interest rates fluctuate permanently on the market. These fluctuations affect the Bank in two ways: first, through the change in the valuation of assets and liabilities; and second, affecting the cash flows at repricing. The variation in the valuation of assets and liabilities is increasingly sensitive as the term at which the asset or liability repricing increases. This process consists of the assessment of the repricing periods. On the other side, cash flows are affected when the instruments reach maturity, given that they are invested or placed at the new market interest rates.

The interest rate risk tracking is reported to the GIR, as well as the ALCO. The GIR approves the various limits applicable to the management of financial instruments. The tracking process is performed by the Division of Market Risk.

Repricing gap -

An analysis of the repricing gaps is performed in order to determine the impact of the interest rates movements. Said analysis consists of assigning the balances of the operations that will change the interest rate into different time gaps. The impact of the variation in the valuation of assets and liabilities on each gap is calculated in function of this analysis.

The following table summarizes the Bank's exposure to interest rate risks. The Bank's financial instruments are presented at book value, classified by the period of the contract's interest rate repricing or maturity date, whichever occurs first:

	2020						
	Up to 1 month S/(000)	More than 1 month to 3 months S/(000)	More than 3 months to 12 months S/(000)	More than 1 year to 5 years S/(000)	More than 5 years S/(000)	Non-interest bearing S/(000)	Total S/(000)
Assets							
Cash and due from banks	14,079,529	162,014	-	380,907	-	3,076,209	17,698,659
Inter-bank funds	18,105	-	-	-	-	-	18,105
Available-for-sale investments	856,500	216,258	224,873	1,597,620	3,169,259	4,177	6,068,687
Held-to-maturity investments	-	56,368	-	1,140,249	1,495,549	-	2,692,166
Loan portfolio, net (*)	2,998,196	4,150,075	8,545,958	19,617,328	5,144,542	(1,452,760)	39,003,339
Other assets, net (**)	5,744	-	-	121,150	-	1,788,140	1,915,034
Total assets	17,958,074	4,584,715	8,770,831	22,857,254	9,809,350	3,415,766	67,395,990
Deposits and obligations	31,055,659	1,901,564	2,772,068	392,784	272,613	6,895,911	43,290,599
Inter-bank funds	28,971	-	-	-	-	-	28,971
Deposits from financial entities	64,070	39,908	16,146	-	-	1,185,483	1,305,607
Payables from repurchase agreements	-	502,193	848,117	6,425,466	-	-	7,775,776
Debts and financial obligations	13,007	149,427	82,905	461,394	876,647	-	1,583,380
Securities, bonds and obligations outstanding (***)	359,805	23,403	16,153	4,359,192	1,740,292	-	6,498,845
Provisions and other liabilities (****)	-	-	-	-	-	887,836	887,836
Equity	-	-	-	-	-	6,183,405	6,183,405
Total liabilities and equity	31,521,512	2,616,495	3,735,389	11,638,836	2,889,552	15,152,635	67,554,419
Off-balance sheet items:							
Derivative assets	-	-	-	1,596,861	-	-	1,596,861
Derivative liabilities	-	-	-	1,596,861	-	-	1,596,861
Marginal gap	(13,563,438)	1,968,220	5,035,442	11,218,418	6,919,798	(11,736,869)	(158,429)
Accumulated gap	(13,563,438)	(11,595,218)	(6,559,776)	4,658,642	11,578,440	(158,429)	-

(*) The balance presented in the column "Non-interest bearing" corresponds mainly to accrued income from loans, overdue loans, loans under judicial collection and the provision for doubtful loans.

(**) Includes investments in subsidiaries and associates; property, furniture and equipment, net; other assets, net (except for accounts receivable for trading-derived financial instruments); and Income Tax deferred assets, net.

(***) The exchanged bonds are presented according to their original maturity date; see Note 11(f).

(****) Accounts payable for trading derivative financial instruments are not considered.

Investments accounted for at fair value through profit or loss and trading derivatives are not considered, because these instruments are part of the Trading Book, and the VaR methodology is used to measure market risks.

	2019						
	Up to 1 month S/(000)	More than 1 month to 3 months S/(000)	More than 3 months to 12 months S/(000)	More than 1 year to 5 years S/(000)	More than 5 years S/(000)	Non-interest bearing S/(000)	Total S/(000)
Assets							
Cash and due from banks	6,077,018	401,014	807,493	-	-	2,490,982	9,776,507
Inter-bank funds	85,006	-	-	-	-	-	85,006
Available-for-sale investments	211,578	521,320	1,019,904	1,048,130	560,020	1,789	3,362,741
Held-to-maturity investments	-	46,211	-	1,147,700	997,943	-	2,191,854
Loan portfolio, net (*)	4,683,933	4,349,139	7,153,052	14,473,348	4,812,806	(733,046)	34,739,232
Other assets, net (**)	510,267	-	-	12,744	-	1,407,320	1,930,331
Total assets	11,567,802	5,317,684	8,980,449	16,681,922	6,370,769	3,167,045	52,085,671
Deposits and obligations	23,366,719	1,886,454	4,200,270	734,020	134,600	3,757,989	34,080,052
Inter-bank funds	169,138	-	-	-	-	-	169,138
Deposits from financial entities	341,979	33,000	6,628	-	-	1,148,331	1,529,938
Payables from repurchase agreements	-	405,185	1,531,833	-	-	-	1,937,018
Debts and financial obligations	13,331	187,428	213,609	437,037	873,827	-	1,725,232
Securities, bonds and obligations outstanding (***)	330,192	171,610	686,713	3,001,852	1,625,259	-	5,815,626
Provisions and other liabilities (****)	3,376	-	517	8169	-	801,447	813,509
Equity	-	-	-	-	-	6,028,991	6,028,991
Total liabilities and equity	24,224,735	2,683,677	6,639,570	4,181,078	2,633,686	11,736,758	52,099,504
Off-balance sheet items:							
Derivative assets	-	165,700	132,560	1,461,474	-	-	1,759,734
Derivative liabilities	-	-	298,260	1,461,474	-	-	1,759,734
Marginal gap	(12,656,933)	2,799,707	2,175,179	12,500,844	3,737,083	(8,569,713)	(13,833)
Accumulated gap	(12,656,933)	(9,857,226)	(7,682,047)	4,818,797	8,555,880	(13,833)	-

(*) The balance presented in the column "Non-interest bearing" corresponds mainly to accrued income from loans, overdue loans, loans under judicial collection and the provision for doubtful loans.

(**) Includes investments in subsidiaries and associates; property, furniture and equipment, net; other assets, net (except for accounts receivable for trading-derived financial instruments);, and Income Tax deferred assets, net.

(***) The exchanged bonds are presented according to their original maturity date; see Note 11(f).

(****) Accounts payable for trading derivative financial instruments are not considered.

Investments accounted for at fair value through profit or loss and trading derivatives are not considered, because these instruments are part of the Trading Book, and the VaR methodology is used to measure market risks.

Sensitivity to changes in interest rates -
Following is the sensitivity of both the statement of income and the valuation of the Trading Book to diverse fluctuations in the interest rate. Fluctuations affect the expected cash flows as well as the balances value.

In the case of the statement of income, the calculation reflects the expected variation of the financial margin for a period equivalent to one year. In doing so, it takes into account the current position of income and expenses and annualizes the effect of the interest rates variations. The figures express the expected change in the value of assets minus liabilities for various time gaps. Likewise, it includes the effect of the derivative financial instruments that are subject to interest rates.

The fluctuations in interest rates are applied equally all through the yield curve, which means that it considers a parallel move of the curve. The effects are considered independently for each of the two currencies presented.

The calculations are based on the interest rate risk regulatory model approved by the SBS in force at the date of the statement of financial position. The sensitivities are calculated prior to the Income Tax effect.

The interest rate exposure is overseen by the ALCO, as well as the GIR Committee, the latter being in charge of approving the permitted maximum limits.

The effects due to estimated changes in interest rates as of December 31, 2020 and 2019, are the following:

	2020				
Currency	Changes in basis points	Net income sensitivity		Net equity sensitivity	
			S/(000)		S/(000)
US dollars	+/-25	+ / -	6,031	+ / -	29,742
US dollars	+/-50	+ / -	12,062	+ / -	59,483
US dollars	+/- 75	+ / -	18,093	+ / -	89,225
US dollars	+/- 100	+ / -	24,124	+ / -	118,967
Soles	+/- 50	- / +	24,762	- / +	65,199
Soles	+/-75	- / +	37,143	- / +	97,798
Soles	+/-100	- / +	49,523	- / +	130,397
Soles	+/-150	- / +	74,285	- / +	195,596

	2019				
Currency	Changes in basis points	Net income sensitivity		Net equity sensitivity	
			S/(000)		S/(000)
US dollars	+/-25	+ / -	3,375	+ / -	9,659
US dollars	+/-50	+ / -	6,750	+ / -	19,318
US dollars	+/- 75	+ / -	10,125	+ / -	28,976
US dollars	+/- 100	+ / -	13,500	+ / -	38,635
Soles	+/- 50	- / +	17,010	- / +	100,770
Soles	+/-75	- / +	25,515	- / +	151,156
Soles	+/-100	- / +	34,020	- / +	201,541
Soles	+/-150	- / +	51,030	- / +	302,311

Sensitivity to price variations -
Following are the sensitivities for shares, in which case, prices depend in less extent on the interest rate.

Market price sensitivity	Changes in market prices %	2020 S/(000)	2019 S/(000)
Common shares	+/-10	418	179
Common shares	+/-25	1,044	447
Common shares	+/-30	1,253	537

(ii) Foreign exchange risk -
The exchange rate risk is related to the variation of the positions both on and off the statement of financial position that may be negatively affected by exchange rates movements. Management sets limits to the exposure levels by currency, and monitors them daily. Most assets and liabilities designated in foreign currency are held in US dollars.

Transactions in foreign currency are accounted for by using the exchange rates prevailing on the market.

As of December 31, 2020, the weighted market exchange rate published by the SBS for transactions in US dollars was S/3.618 per US$1 bid and S/3.624 per US$1 ask (S/3.311 and S/3.371 as of December 31, 2019, respectively). As of December 31, 2020, the exchange rate for the accounting of asset and liability accounts in foreign currency set by the SBS was S/3.621 per US$1 (S/3.314 as of December 31, 2019).

The table below presents the detail of the Bank's currency position as of December 31, 2020 and 2019:

	2020				2019			
	US Dollars S/(000)	Soles S/(000)	Other currencies S/(000)	Total S/(000)	US Dollars S/(000)	Soles S/(000)	Other currencies S/(000)	Total S/(000)
Assets								
Cash and due from bank	6,228,282	10,918,489	551,888	17,698,659	8,136,290	1,214,712	425,505	9,776,507
Inter-bank funds	18,105	-	-	18,105	-	85,006	-	85,006
Investments at fair value through profit or loss - trading	190,331	-	-	190,331	1,757	3,031	-	4,788
Available-for-sale investments,net	1,228,737	4,839,950	-	6,068,687	746,830	2,615,911	-	3,362,741
Held-to-maturity investments	-	2,692,166	-	2,692,166	-	2,191,854	-	2,191,854
Loan portfolio, net	8,879,415	30,123,924	-	39,003,339	9,255,700	25,483,532	-	34,739,232
Other assets, net	214,728	447,978	869	663,575	129,961	832,875	1,348	964,184
	16,759,598	49,022,507	552,757	66,334,862	18,270,538	32,426,921	426,853	51,124,312
liabilities								
Deposits and obligations	13,425,609	29,479,782	385,208	43,290,599	11,173,939	22,546,088	360,025	34,080,052
Inter-bank funds	28,971	-	-	28,971	149,137	20,001	-	169,138
Deposits from financial entities	112,395	1,193,212	-	1,305,607	56,701	1,473,237	-	1,529,938
Payables for repurchase agreements	-	7,775,776	-	7,775,776	-	1,937,018	-	1,937,018
Debts and financial obligations	342,847	1,240,533	-	1,583,380	513,531	1,211,701	-	1,725,232
Securities, bonds and obligations outstanding	5,580,932	917,913	-	6,498,845	4,755,334	1,060,292	-	5,815,626
Other liabilities	295,399	722,507	32,631	1,050,537	214,829	698,703	1,419	914,951
	19,786,153	41,329,723	417,839	61,533,715	16,863,471	28,947,040	361,444	46,171,955
Forward position, net	1,525,029	(1,369,873)	(155,156)	-	(2,718,082)	2,776,866	(58,784)	-
Currency swaps position, net	1,647,896	(1,647,896)	-	-	1,405,094	(1,405,094)	-	-
Options position,net	20,752	(20,752)	-	-	(5,584)	5,584	-	-
Net monetary position	167,122	4,654,263	(20,238)	4,801,147	88,495	4,857,237	6,625	4,952,357

As of December 31, 2020, the Bank granted indirect loans (contingent operations) in foreign currency for approximately US$627,487,000, equivalent to S/2,272,130,000 (US$676,029,000, equivalent to S/2,240,361,000 as of December 31, 2019); see Note 15.

The Bank manages the exchange rate risk through the matching of its asset and liability operations, overseeing the global exchange position on a daily basis. The Bank's global exchange position is equivalent to the result of long positions minus short positions in currencies different to the Sol. The global exchange position includes the spot positions and also the derivative positions.

Following are the sensibilities for the case of the US dollar variations. Given its volume, the position in US dollars is the sole exposure that could cause the Bank a material loss. The negative variations represent potential losses, while the positive ones represent potential gains.

Sensitivity analysis	**Changes in currency rates**	**2020**	**2019**
	%	S/(000)	S/(000)
Revaluation			
US dollar	5	8,356	4,425
US dollar	10	16,712	8,850
Devaluation (*)			
US dollar	5	(8,356)	(4,425)
US dollar	10	(16,712)	(8,850)

(*) Management does not estimate a devaluation of the US dollar in relation to the sol in the following years.

24.3 Liquidity risk -

The liquidity risk consists of the Bank's inability to comply with the maturity of its obligations, thus incurring into losses that importantly affect its equity position. This risk may arise as result of diverse events such as: the unexpected decrease of funding sources, the inability to rapidly settle assets, among others.

Faced with the Covid-19 pandemic, the Bank has focused its efforts on maintaining correct liquidity levels, during the year it has been very active in fundraising through reporting operations, see note 2(b) (ii)(i) and has managed to capture better deposit levels, these actions have allowed it to maintain correct levels of liquidity to face with its operations.

The Bank takes short-term deposits and transforms them into longer-term loans. Therefore, their exposure to liquidity risk increases. The Bank keeps a set of deposits that historically are renewed or maintained, and which represent a stable funding source.

The Bank's liquidity is managed by the Vice-Presidency of Capital Market, which leads the ALCO – where positions, movements, indicators and limits on liquidity management are presented. Liquidity risk is itself overseen by the GIR Committee – where the risk level that the Bank is willing to take is defined, and the corresponding indicators, limits and controls are reviewed.

The Bank has a set of indicators which are controlled and reported daily. Said indicators establish the minimum liquidity levels allowed for the short-term and reflex several risk aspects such as: concentration, stability, position by currency, main depositors, etc. The Market Risk Division is in charge of tracking said indicators.

Likewise, the Bank assesses the medium-term and long-term liquidity through a structural analysis of its funds' inflows and outflows on diverse maturity terms. This process allows it to know, for each currency, the diverse funding sources, how liquidity needs increase, and which terms are mismatched. Both for assets and liabilities, there are considered assumptions for the operations that do not have determined maturity dates. Said products include: revolving loans, savings and others similar. There are also included the estimated obligations arising from contingent liabilities. On the basis of this information, the necessary decisions to maintain the targeted liquidity levels are taken.

Following are the Bank's cash flows payable as of December 31, 2020 and 2019, according to the contractually agreed maturity. The Bank estimates the expected maturities of the obligations with the public that do not have determined maturities by using statistical models, in accordance with SBS Resolution No. 7036-2012. The amounts disclosed are the undiscounted cash flows and include their respective accrued interest.

	2020					
	Up to 1 month S/(000)	From 1 to 3 months S/(000)	From 3 to 12 months S/(000)	From 1 to 5 years S/(000)	Over 5 years S/(000)	Total S/(000)
Financial liabilities by type -						
Deposits and obligations	36,171,351	2,037,672	2,831,488	2,182,334	393,365	43,616,210
Inter-bank funds	28,971	-	-	-	-	28,971
Deposits from financial entities	1,249,555	39,929	16,146	-	-	1,305,630
Payables from repurchase agreements	-	505,107	850,000	6,521,476	-	7,876,583
Debts and financial obligations	18,291	39,165	151,486	881,099	1,149,770	2,239,811
Securities, bonds and obligations outstanding	55,715	41,299	182,789	5,259,980	1,977,029	7,516,812
Provisions and other liabilities	568,536	16,420	69,383	181,975	214,223	1,050,537
Total non-derivate liabilities	38,092,419	2,679,592	4,101,292	15,026,864	3,734,387	63,634,554
Derivatives -						
Contractual amounts receivable (inflow)	354,713	364,140	1,454,735	5,487,892	2,212,074	9,873,554
Contractual amounts payable (outflow)	(356,309)	(361,367)	(1,452,345)	(5,413,555)	(2,205,300)	(9,788,876)
Total	(1,596)	2,773	2,390	74,337	6,774	84,678

	2019					
	Up to 1 month S/(000)	From 1 to 3 months S/(000)	From 3 to 12 months S/(000)	From 1 to 5 years S/(000)	Over 5 years S/(000)	Total S/(000)
Financial liabilities by type -						
Deposits and obligations	25,333,691	2,018,246	4,316,945	2,588,015	209,766	34,466,663
Inter-bank funds	169,138	-	-	-	-	169,138
Deposits from financial entities	1,490,391	33,000	6,628	-	-	1,530,019
Payables from repurchase agreements	-	416,700	1,566,909	-	-	1,983,609
Debts and financial obligations	16,713	37,621	453,955	731,728	1,149,922	2,389,939
Securities, bonds and obligations outstanding	31,477	191,347	842,912	3,861,629	1,918,222	6,845,587
Provisions and other liabilities	537,255	15,671	67,665	151,705	142,655	914,951
Total non-derivate liabilities	27,578,665	2,712,585	7,255,014	7,333,077	3,420,565	48,299,906
Derivatives -						
Contractual amounts receivable (inflow)	560,750	264,648	933,967	4,932,149	2,795,731	9,487,245
Contractual amounts payable (outflow)	(568,321)	(218,373)	(955,527)	(5,012,558)	(2,786,890)	(9,541,669)
Total	(7,571)	46,275	(21,560)	(80,409)	8,841	(54,424)

The table below shows the contractual maturity of the contingent loans granted by the Bank as of the date of the statement of financial position:

	2020					
	Up to 1 month S/(000)	From 1 to 3 months S/(000)	From 3 to 12 months S/(000)	From 1 to 5 years S/(000)	Over 5 years S/(000)	Total S/(000)
Contingent loans (indirect loans)	1,210,003	1,177,827	1,974,700	246,703	-	4,609,233

	2019					
	Up to 1 month S/(000)	From 1 to 3 months S/(000)	From 3 to 12 months S/(000)	From 1 to 5 years S/(000)	Over 5 years S/(000)	Total S/(000)
Contingent loans (indirect loans)	918,020	952,844	2,081,854	270,760	-	4,223,478

The Bank expects that not all of the contingent loans will be drawn before expiration of the commitments.

The following table shows the changes in liabilities from financing activities as stated by IAS 7:

		2020				
	Balance as of January 1 S/(000)	Distribution of dividends S/(000)	Cash flow S/(000)	Movement in foreign currency S/(000)	Other S/(000)	Balance as of December 31 S/(000)
Inter-bank funds	169,138	-	(142,253)	2,086	-	28,971
Payables from repurchase agreements	1,937,018	-	5,838,758	-	-	7,775,776
Debts and financial obligations	1,725,232	-	(179,549)	39,354	(1,657)	1,583,380
Securities, bonds and obligations outstanding	5,815,626	-	(11,216)	407,354	287,081	6,498,845
Dividends payable	221	302,273	(302,273)	-	(48)	173
Total liabilities for financing activities	9,647,235	302,273	5,203,467	448,794	285,376	15,887,145

		2019				
	Balance as of January 1 S/(000)	Distribution of dividends S/(000)	Cash flow S/(000)	Movement in foreign currency S/(000)	Other S/(000)	Balance as of December 31 S/(000)
Inter-bank funds	-	-	216,606	(47,468)	-	169,138
Payables from repurchase agreements	2,097,190	-	(160,172)	-	-	1,937,018
Debts and financial obligations	1,871,558	-	(192,234)	47,626	(1,718)	1,725,232
Securities, bonds and obligations outstanding	5,400,185	-	372,128	49,527	(6,214)	5,815,626
Dividends payable	192	467,044	(467,044)	-	29	221
Total liabilities for financing activities	9,369,125	467,044	(230,716)	49,685	(7,903)	9,647,235

24.4 Capital management -

As of December 31, 2020 and 2019, the Bank has complied with the mandates of Legislative Decree No. 1028 and SBS Resolutions No. 2115–2009, No. 6328-2009, No. 14354-2009 and their amendments, which contain the Regulations on Effective Equity Requirements for Operational Risk, Market Risk and Credit Risk, respectively, and amendments. These regulations mainly establish the methodologies to be used by the financial entities to calculate the requirement of regulatory capital.

24.5 Fair value -

(a) Fair value is the amount at which an asset can be exchanged between duly informed buyer and seller, or the amount at which a liability can be settled between duly informed debtor and lender, under the terms of a free competition transaction.

Fair value is a market-based measurement, therefore a financial instrument traded in a real transaction in a liquid and active market has a price that supports its fair value. When the price for a financial instrument is not observable, the fair value should be measured using another valuation technique, seeking to maximize the use of relevant observable variables and minimize the use of unobservable variables.

To calculate the fair value of an instrument that is not listed on liquid markets, the market value of an instrument that is actively listed in the market and which has similar characteristics can be used or can be obtained by some analytical technique, such as analysis of discounted flows or valuation by multiples.

The methodologies and assumptions used to determine fair values depend on the terms and risk characteristics of the various financial instruments as it is shown below:

(i) Financial instruments recorded at fair value - The fair value is based on market prices or some other methods of financial valuation. The positions valued at market prices are mainly investments traded on centralized mechanisms. The positions valued by some method of financial valuation include derivative financial instruments and instruments that may not have market prices in which case their fair value is mainly determined by using the market interest rate curves and the price vector provided by the SBS.

(ii) Instruments whose fair value is similar to their book value - For the financial assets and liabilities that are liquid or have short-term maturities (less than three months), it is considered that the book value is similar to the fair value. This assumption is also applicable to term deposits, savings accounts without a specific maturity and variable-rate financial instruments.

(iii) 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 moment of their initial recognition to the current market rates related to similar financial instruments. In the case of quoted issued debt, the fair value is determined on the basis of the quoted market prices. The fair value of the loan portfolio and deposits and obligations, according to SBS Multiple Official Letter No.1575-2014, corresponds to the book value.

(b) Financial instruments measured at fair value and fair value hierarchy

The following table presents an analysis of the financial instruments that are measured at fair value as of December 31, 2020 and 2019, including the level of the fair value hierarchy. The amounts are based on the balances presented in the statements of financial situation:

	2020				2019			
	Level 1 S/(000)	Level 2 S/(000)	Level 3 S/(000)	Total S/(000)	Level 1 S/(000)	Level 2 S/(000)	Level 3 S/(000)	Total S/(000)
Financial assets								
Securities	7,443	182,888	-	190,331	4,788	-	-	4,788
Available-for-sale investments								
Debt instruments	4,671,051	1,301,600	-	5,972,651	1,827,827	1,500,874	-	3,328,701
Shares								
Intercorp Financial Services Inc.	2,264	-	-	2,264	-	-	-	-
Other	119	-	1,794	1,913	147	-	1,642	1,789
Derivatives receivable	-	364,624	-	364,624	-	225,530	-	225,530
	4,680,877	1,849,112	1,794	6,531,783	1,832,762	1,726,404	1,642	3,560,808
Accrued interest				91,859				32,251
Total financial assets				6,623,642				3,593,059
Financial liabilities								
Derivatives payable	-	269,632	-	269,632	-	215,671	-	215,671
Total financial liabilities	-	269,632	-	269,632	-	215,671	-	215,671

All assets and liabilities for which the fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, as described below, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices on active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

During 2020 and 2019, there were no transfers of financial instruments from Level 3 to Level 1 or to Level 2.

(c) 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 statement of financial position by level of the fair value hierarchy:

	2020					2019				
	Level 1 S/(000)	Level 2 S/(000)	Level 3 S/(000)	Fair value S/(000)	Book value S/(000)	Level 1 S/(000)	Level 2 S/(000)	Level 3 S/(000)	Fair value S/(000)	Book value S/(000)
Assets										
Cash and due from banks	-	17,698,659	-	17,698,659	17,698,659	-	9,776,507	-	9,776,507	9,776,507
Inter-bank funds	-	18,105	-	18,105	18,105	-	85,006	-	85,006	85,006
Held-to-maturity investments	2,988,539	-	-	2,988,539	2,692,166	2,328,303	-	-	2,328,303	2,191,854
Loan portfolio, net	-	39,003,339	-	39,003,339	39,003,339	-	34,739,232	-	34,739,232	34,739,232
Other assets, net	-	298,951	-	298,951	298,951	-	738,654	-	738,654	738,654
Total	2,988,539	57,019,054	-	60,007,593	59,711,220	2,328,303	45,339,399	-	47,667,702	47,531,253
Liabilities										
Deposits and obligations	-	43,290,599	-	43,290,599	43,290,599	-	34,080,052	-	34,080,052	34,080,052
Inter-bank funds	-	28,971	-	28,971	28,971	-	169,138	-	169,138	169,138
Deposits from financial entities	-	1,305,607	-	1,305,607	1,305,607	-	1,529,938	-	1,529,938	1,529,938
Payables from repurchase agreements	-	7,781,844	-	7,781,844	7,775,776	-	1,940,472	-	1,940,472	1,937,018
Debts and financial obligations	-	1,584,291	-	1,584,291	1,583,380	-	1,725,202	-	1,725,202	1,725,232
Securities, bonds and obligations outstanding	5,717,563	1,187,244	-	6,904,807	6,498,845	4,070,645	1,620,576	-	5,691,221	5,815,626
Provisions and other liabilities	-	780,905	-	780,905	780,905	-	699,280	-	699,280	699,280
Total	5,717,563	55,959,461	-	61,677,024	61,264,083	4,070,645	41,764,658	-	45,835,303	45,956,284

The methodologies and assumptions used to determine fair values depend on the terms and risk characteristics of the various financial instruments 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 short term maturity (less than three months) it is assumed that the carrying amounts approximate their fair values. This assumption is also applied to demand deposits, savings accounts without specific maturity and variable rate financial instruments.

(ii) Financial instruments at fixed rate – The fair value of the financial assets and financial liabilities at fixed rate and at amortized cost is determined by comparing the market interest rate at the moment 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 obligations, according to SBS Multiple Official Letter No. 1575-2014, corresponds to its book value.

25. Additional explanation for English traslation

The accompanying financial statements are presented on the basis of the generally accepted accounting principles in Peru for financial entities. Certain accounting practices applied by the Bank, that conform to generally accepted accounting principles in Peru for financial entities, may differ in certain significant respects from generally accepted accounting principles in other countries. In the event of any discrepancy, the Spanish-language version prevails.

COLEGIO DE CONTADORES PUBLICOS DE LIMA

Constancia de Habilitación

La Decana y la Directora Secretaria del Colegio de Contadores Públicos de Lima, que suscriben, declaran que, en base a los registros de la institución, se ha verificado que:

PAREDES, BURGA & ASOCIADOS S. CIVIL DE R.L.
Nº MATRICULA: SO761

Se encuentra **HABIL**, para el ejercicio de las funciones profesionales que le faculta la Ley N.° 13253 y su modificación Ley N.° 28951 y conforme al Estatuto y Reglamento Interno de esté Colegio; en fe de lo cual y a solicitud de parte, se le extiende la presente constancia para los efectos y usos que estime conveniente. Esta constancia tiene vigencia hasta el 31 de JULIO 2021.

Lima, 2 de Noviembre 2020.

CPC. GUILLERMINA ZAVALA PAUCAR
DECANA

CPC. GLADYS MILAGROS BAZAN ESPINOZA
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ÁREA DE PAGOS POR TRANSFERENCIAS