Banco BBVA Perú and Subsidiaries

Consolidated Financial Statements

As of December 31, 2020 and 2019

(including Independent Auditors' Report)

(TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN SPANISH)

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(TRANSLATION OF A REPORT ORIGINALLY ISSUED IN SPANISH)

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of
Banco BBVA Perú

We have audited the accompanying consolidated financial statements of Banco BBVA Perú (a subsidiary of BBVA Perú Holdings S.A.C., incorporated in Peru) and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2020 and 2019, and the consolidated statements of income, income and other comprehensive income, changes in equity and cash flows for the years then ended, as well as the corresponding notes, including the summary of significant accounting policies.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting standards established for financial institutions in Peru by the Banking, Insurance and Pension Plan Agency (Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones – SBS) for financial institutions in Peru, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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 consolidated financial statements referred to above, present fairly, in all material respects, the consolidated financial position of Banco BBVA Perú and Subsidiaries as of December 31, 2020 and 2019, and their consolidated financial performance and their consolidated cash flows for the years then ended, in accordance with accounting standards established by SBS for financial entities in Peru.

Lima, Peru

February 23, 2021

Caipo y Asociados

Countersigned by:

Eduardo Alejos (Partner)
Peruvian CPA Registration 01-29180

Banco BBVA Perú and Subsidiaries

Consolidated Financial Statements

As of December 31, 2020 and 2019

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(Translation of Financial Statements originally issued in Spanish)

Banco BBVA Perú and Subsidiaries
Consolidated Statement of Financial Position
As of December 31, 2020 and 2019

In thousands of soles	**Note**	**2020**	**2019**
Assets			
Cash and due from banks	*5*	24,954,267	14,816,709
Interbank funds		137,599	150,137
Investments at fair value through profit or loss and available for sale	*6*	11,421,340	6,639,844
Loan portfolio, net	*7*	66,593,761	56,398,279
Trading derivatives	*8*	898,595	567,686
Hedging derivatives	*8*	103,354	4,611
Realizable assets and assets seized and recovered through legal actions		129,126	187,561
Associates	*9*	4,582	15,602
Property, furniture and equipment, net	*10*	1,013,105	988,104
Deferred income tax		685,326	439,139
Other assets, net	*11*	1,396,213	1,569,911
Goodwill		-	1,316
Total assets		**107,337,268**	**81,778,899**
Risks and contingent commitments	*16*	**34,034,065**	**29,978,308**

In thousands of soles	**Note**	**2020**	**2019**
Liabilities and equity			
Obligations to the public and deposits from financial system entities	*12*	72,212,597	56,159,283
Interbank funds		72,421	150,016
Borrowings and financial obligations	*13*	7,053,718	9,678,796
Trading derivatives	*8*	876,395	490,934
Hedging derivatives	*8*	14,633	19,777
Accounts payable, provisions and other liabilities	*14*	17,745,648	6,099,627
Total liabilities		**97,975,412**	**72,598,433**
Equity	*15*		
Share capital		6,529,169	5,885,209
Reserves		1,831,131	1,669,835
Adjustments to equity		119,148	22,816
Retained earnings		882,408	1,602,606
Total equity		**9,361,856**	**9,180,466**
Total equity and liabilities		**107,337,268**	**81,778,899**
Risks and contingent commitments	*16*	**34,034,065**	**29,978,308**

The accompanying notes on pages 6 to 96 are an integral part of these consolidated financial statements.

(Translation of Financial Statements originally issued in Spanish)

Banco BBVA Perú and Subsidiaries
Consolidated Statement of Income
For the years ended December 31, 2020 and 2019

In thousands of soles	***Note***	**2020**	**2019**
Interest income	*17*	4,298,555	4,796,546
Interest expense	*18*	(1,054,376)	(1,374,912)
Gross financial income		**3,244,179**	**3,421,634**
Provision for direct loans, net of recovery		(1,751,212)	(757,874)
Net financial income		**1,492,967**	**2,663,760**
Income from financial services, net	*19*	811,479	812,837
Financial income net of income and expenses for financial services		**2,304,446**	**3,476,597**
Profit or loss from financial operations	*20*	659,712	692,868
Operating margin		**2,964,158**	**4,169,465**
Administrative expenses	*21*	(1,707,448)	(1,680,871)
Depreciation and amortization		(194,265)	(167,826)
Net operating margin		**1,062,445**	**2,320,769**
Valuation of assets and provisions		(154,220)	(103,548)
Net operating profit or loss		**908,225**	**2,217,221**
Other expenses and income, net	*22*	(20,842)	22,042
Profit or loss before tax		**887,383**	**2,239,263**
Income tax	23	(239,167)	(630,207)
Net profit or loss		**648,216**	**1,609,056**
Basic and diluted earnings per share in soles	*25*	**0.0993**	**0.2464**
Weighted average number of outstanding shares (in thousands of shares)	*25*	**6,529,169**	**6,529,169**

The accompanying notes on pages 6 to 96 are an integral part of these consolidated financial statements.

Banco BBVA Perú and Subsidiaries
Consolidated Statement of Income and Other Comprehensive Income
For the years ended December 31, 2020 and 2019

In thousands of soles	**2020**	**2019**
Net profit or loss	648,216	1,609,056
Other comprehensive income:		
Unrealized gain for investments available-for-sale	79,899	34,124
Unrealized gain on cash flow hedges	14,753	916
Interests in other comprehensive income from associates	78	(43)
Unrealized gain (loss) on actuarial liabilities	16,494	(8,894)
Income tax related to components of other comprehensive income	(14,892)	4,709
Other comprehensive income for the year, net of income tax	**96,332**	**30,812**
Total comprehensive income for the year	**744,548**	**1,639,868**

The accompanying notes on pages 6 to 96 are an integral part of these consolidated financial statements.

(Translation of Financial Statements originally issued in Spanish)

Banco BBVA Perú and Subsidiaries
Consolidated Statement of Changes in Equity
For the years ended December 31, 2020 and 2019

In thousands of soles	**Number of shares in thousands (note 15.B)**	**Share capital (note 15.B)**	**Legal reserve (note 15.C)**	**Adjustments to equity (note 15.D)**	**Retained earnings (note 15.E)**	**Total equity**
Balance as of January 1, 2019	5,368,602	5,368,602	1,522,035	(7,996)	1,469,572	8,352,213
Net profit or loss	-	-	-	-	1,609,056	1,609,056
Other comprehensive income						
Unrealized gain for investments available-for-sale	-	-	-	36,480	-	36,480
Unrealized gain from cash flow hedges	-	-	-	645	-	645
Unrealized loss on interests in other comprehensive income from associates	-	-	-	(43)	-	(43)
Unrealized loss for actuarial liabilities	-	-	-	(6,270)	-	(6,270)
Total comprehensive income	**-**	**-**	**-**	**30,812**	**1,609,056**	**1,639,868**
Changes in equity (not included in comprehensive income)						
Dividends	-	-	-	-	(811,812)	(811,812)
Capitalization of retained earnings	516,607	516,607	-	-	(516,607)	-
Additions to reserves and other movements	-	-	147,800	-	(147,603)	197
Balance as of December 31, 2019	**5,885,209**	**5,885,209**	**1,669,835**	**22,816**	**1,602,606**	**9,180,466**
Balance as of January 1, 2020	5,885,209	5,885,209	1,669,835	22,816	1,602,606	9,180,466
Net profit or loss	-	-	-	-	648,216	648,216
Other comprehensive income						
Unrealized gain for investments available-for-sale	-	-	-	74,225	-	74,225
Unrealized gain from cash flow hedges	-	-	-	10,401	-	10,401
Unrealized gain on interests in other comprehensive income from associates	-	-	-	78	-	78
Unrealized gain for actuarial liabilities	-	-	-	11,628	-	11,628
Total comprehensive income	**-**	**-**	**-**	**96,332**	**648,216**	**744,548**
Changes in equity (not included in comprehensive income)						
Dividends	-	-	-	-	(563,465)	(563,465)
Capitalization of retained earnings	643,960	643,960	-	-	(643,960)	-
Additions to reserves and other movements	-	-	161,296	-	(160,989)	307
Balance as of December 31, 2020	**6,529,169**	**6,529,169**	**1,831,131**	**119,148**	**882,408**	**9,361,856**

The accompanying notes on pages 6 to 96 are an integral part of these consolidated financial statements.

(Translation of Financial Statements originally issued in Spanish)

Banco BBVA Perú and Subsidiaries
Consolidated Statement of Cash Flows
For the years ended December 31, 2020 and 2019

In thousands of soles	**Note**	**2020**	**2019**
Reconciliation of net profit with cash and cash equivalents from operating activities			
Net profit or loss		648,216	1,609,056
Adjustments		**1,964,551**	**1,542,927**
Depreciation and amortization		194,266	167,826
Impairment of property, furniture, and equipment and intangible assets		20,113	26,300
Impairment of investments available-for-sale and goodwill		19,070	3,972
Provisions		1,866,249	834,928
Other adjustments		(135,147)	509,901
Net changes in assets and liabilities		**15,724,535**	**(907,056)**
Loan portfolio		(10,367,765)	(5,450,916)
Investments available-for-sale		459,032	(622,846)
Accounts receivable and others		590,813	(1,287,209)
Non-subordinated financial liabilities		13,175,174	4,377,190
Accounts payable and others		11,867,281	2,076,725
Profit or loss for the period after net changes in assets, liabilities and adjustments		**18,337,302**	**2,244,927**
Income tax paid		(647,402)	(636,951)
Net cash and cash equivalents from operating activities		**17,689,900**	**1,607,976**
Cash flows from investing activities			
Acquisition of securities		-	(40)
Acquisition of intangible assets and property, furniture, and equipment		(237,007)	(236,552)
Other cash inflows from investing activities		88,642	80,953
Net cash and cash equivalents used in investing activities		**(148,365)**	**(155,639)**
Cash flows from financing activities			
Cash outflows for redemption of subordinated financial liabilities		(719,400)	-
Dividends paid		(562,761)	(810,470)
Issuance of debt securities and bonds		308,048	577,427
Payment of debt securities and bonds		(2,303,090)	(655,100)
Net cash and cash equivalents used in financing activities		**(3,277,203)**	**(888,143)**
Net increase in cash and cash equivalents before effects of exchange rate fluctuations		**14,264,332**	**564,194**
Effects of changes in exchange rates on cash and cash equivalents		1,238,806	(127,102)
Net increase in cash and cash equivalents		**15,503,138**	**437,092**
Cash and cash equivalents at the beginning of the year		**15,762,558**	**15,325,466**
Cash and cash equivalents at the end of the year		**31,265,696**	**15,762,558**
Funds pledges as guarantee		1,896,323	2,256,757
Interbank funds		(137,599)	(150,137)
Investment with maturities of less than 90 days		(8,070,153)	(3,052,469)
Cash and due from banks as per the consolidated statement of financial position	*5*	**24,954,267**	**14,816,709**

The accompanying notes on pages 6 to 96 are an integral part of these consolidated financial statements.

1. Reporting Entity and Business Activity

A. Reporting entity

Banco BBVA Perú (hereinafter the Bank) is a subsidiary of BBVA Perú Holding S.A.C., which holds 46.12% of its share capital as of December 31, 2020 and 2019. The Bank Bilbao Vizcaya Argentaria S.A. (hereinafter BBVA S.A.) holds 100% of the shares of BBVA Perú Holding S.A.C.

B. Business activity

The Bank is a closely held corporation incorporated in 1951 and is authorized to operate as a banking institution by the SBS.

The Bank's activities mainly comprise financial intermediation by commercial banks. Such activities are governed by the SBS according to Law 26702 "General Law of the Financial and Insurance Systems and SBS Organic Law" and its amendments (hereinafter the Banking Law). This Law establishes the requirements, rights, obligations, guarantees, restrictions, and other operating conditions to which every legal entity operating in the financial and insurance systems is subject.

The registered office and headquarters of the Banks are located at Av. República de Panamá N° 3055 - San Isidro, Lima, Peru.

The Bank holds 100% of the share capital with voting rights over its subsidiaries: BBVA Bolsa Sociedad Agente de Bolsa S.A, BBVA Asset Management S.A. SAF, BBVA Sociedad Titulizadora S.A., Inmuebles y Recuperaciones BBVA S.A., BBVA Consumer Finance EDPYME, Forum Comercializadora del Perú S.A. and Forum Distribuidora del Perú S.A. Even though the Bank does not hold share capital or voting rights over Continental DPR Finance Company (DPR), due to the characteristics of its corporate purpose and its relationship with the Bank, the accounting standards that govern the Bank require DPR's financial statements to be included on the consolidated basis with those of the Bank (all these companies including the Bank are denominated, hereinafter, BBVA Peru Group).

National State of Emergency

On March 11, 2020, the World Health Organization (WHO) declared a pandemic due to the coronavirus disease (COVID-19), and recommended contention and mitigation measurements worldwide. On March 15, 2020, the Peruvian government declared, through Supreme Decree, a national state of emergency due to the serious circumstances affecting people's life as a result of the COVID-19 outbreak. As of reporting date, the state of emergency has been extended until September 2, 2021, inclusive. In this context, the government enforced a series of exceptional and preventive measurements.

The Bank did not stop its activities, even during the quarantine, to attend and support the government's financing programs and distribute social assistance initiatives, such as bonds (economic subsidies) for households vulnerable to poverty or extreme poverty.

Since the beginning of the pandemic, the Bank carried out a number of contingency actions, which led to the creation of a multidisciplinary team in charge of designing and implementing the strategy for the biosanitary crisis, whose main objective is to protect the health of employees and customers throughout Peru.

For this purpose, this multidisciplinary team designed a health strategy, comprehensive infrastructure implementation and management of the demand of the offices, based on the new reality due to the pandemic. Likewise, teleworking for the employees of the core areas was implemented, as well as for the employees considered vulnerable population due to preexisting health conditions.

C. Peruvian government programs for economic reactivation

The Ministry of Economy and Finance (MEF) implemented the following economic aid programs to debtors affected by the state of emergency:

Program / Validity	Legal basis	Brief description of the program	Amount of the program
Reactiva Perú Until November 30, 2020	Legislative Decree 1455 (April 6, 2020) Ministerial Resolution 134-2020-EF (April 13, 2020)	It was created with the following purposes: • Respond to the liquidity needs that companies face due to the impact of COVID-19. • Ensure the continuity of the chain of payments. Through this program, the Government grants guarantees to companies so that they can access working capital loans, and can meet short-term obligations with their workers, and suppliers of goods and services. The government guarantees ranges are between 80% and 98% of the loan, whose maximum amount per customer is S/ 10 million, which is terminated based on the volume of sales. Additionally, the Bank obtains the resources to grant these loans through repurchase agreement with the Central Reserve Bank of Peru (BCRP, for its Spanish acronym), for the guaranteed portion.	S/ 60,000 million
FAE for SME Until December 31, 2020	Emergency Decree 029-2020 (March 20, 2020) Ministerial Resolution 124-2020-EF (March 25, 2020)	Business Support Fund (FAE) for Small and Micro Enterprise (SME). Initially, it applied for new working capital loans, rescheduling and refinancing and the maximum amount of the loan per customer was up to S/ 90 thousand with coverage percentages of 30%, 50% and 70%. Currently, it applies for new working capital loans and the maximum amount of the loan per customer is up to S/ 30 thousand with coverage percentages of 95% and 98%.	S/ 4,000 million

Program / Validity	Legal basis	Brief description of the program	Amount of the program
FAE for Tourism Until June 30, 2021	Emergency Decree 076-2020 (June 30, 2020) Ministerial Resolution 228-2020-EF (August 11, 2020)	It was intended for SME that carry out lodging activities, interprovincial passenger land transport, tourist transport, travel and tourism agencies, restaurants, leisure activities, organization of congresses, conventions and events, tourist guidance, and production and marketing of handicrafts. Currently, it applies for new working capital loans and the maximum amount of the loan per customer is up to S/ 750 thousand with coverage percentages of 95% and 98%.	S/ 1,500 million
FAE for Farmers Until June 30, 2021	Emergency Decree 082-2020 (July 9, 2020) Ministerial Resolution 226-2020-EF (August 9, 2020)	It was intended for farmers. It is a loan guaranteed to the Bank so that it in turn grants loans to customers for working capital. The maximum amount of the loan per customer is up to S/ 30 thousand with coverage percentages of 95% and 98%.	S/ 2,000 million
CRECER Fund Until year 2049	Legislative Decree 1399 (September 7, 2018) Supreme Decree 007-2019-EF (January 11, 2019)	It is a program that grants guarantees to loans for working capital, fixed assets and export credits to promote the productive and business development of SME. The maximum amount of the loan per customer is up to S/ 10 million. Coverage percentages are up to 75% for SME, up to 70% for Medium-business and up to 60% for exporting company.	Not specified
Government guarantee program, to the credit portfolio of financial institutions. Until December 31, 2022	Legislative Decree 1508-2020 (May 11, 2020) Ministerial Resolution 178-2020-EF (June 24, 2020)	It is intended to provide liquidity to banks, financial entities and credit agencies.	S/ 7,000 million

Program / Validity	Legal basis	Brief description of the program	Amount of the program
Repurchase agreement with rescheduling of credit portfolio	BCRP Official Letter 0021--2020 (June 7, 2020)	BCRP order the possibility that financial entities obtain an economic fund at a rate of 0.5% through repurchase agreement. Therefore, financial entities are committed to reschedule their customer's credit portfolio or the portfolio adquired to other financial entities, temporally reducing the interest rate for the duration of the operation with the BCRP.	Not specified
Guarantee programs - COVID-19 Until March 31, 2021	Law 31050 (October 8, 2020) Ministerial Resolution 296-2020-EF (October 18, 2020)	It is intended to consumer credit portfolios, personal loans, mortgages loans, vehicles and SME. The program guarantees credits rescheduled by financial entities. Such reschedule contemplates the decrease of the interest rate.	S/ 5,500 million

D. Approval of the consolidated financial statements

The consolidated financial statements as of December 31, 2020 were approved by the Bank’s Management and will be presented for approval to Board of Directors and General Shareholder's Meeting within the terms established by Law. In management's opinion, the Board of Directors and the General Shareholder's Meeting will approve the accompanying consolidated financial statements without amendments. The General Shareholders' Meeting, held May 11, 2020, approved the consolidated financial statements as of December 31, 2019.

2. Basis of Preparation of the Consolidated Financial Statements

A. Statement of compliance

The consolidated financial statements are prepared and presented in accordance with current regulations and Peruvian GAAP applicable to financial institutions, which comprise the accounting standards and practices authorized by the SBS, in use of its powers, delegated in accordance with the provisions of the Banking Law. The aforementioned standards are contained in the Accounting Manual for Financial Institutions (hereinafter the “Accounting Manual”) approved by SBS Resolution 895-98, dated September 1, 1998, effective as of January 1, 2001, and complementary norms and amendments.

In the absence of such applicable SBS regulations, the International Financial Reporting Standards (IFRS), issued by the *International Accounting Standards Board* (IASB), made official in Peru by the Peruvian Accounting Board (CNC, for its Spanish acronym), are applied.

Peruvian GAAP comprise the standards and interpretations issued or adopted by the IASB, which include IFRSs, International Accounting Standards (IAS), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), or the former Standing Interpretations Committee (SIC), adopted by the IASB and made official by the CNC for their application in Peru.

B. Basis of consolidation

The consolidated financial statements include the financial statements of entities that are part of the BBVA Peru Group, described in note 1, after eliminating significant balances and transactions among the consolidated entities, and the gains and losses resulting from those transactions. All subsidiaries have been consolidated since their constitution or acquisition.

Subsidiaries are all the entities over which the Bank has the power to govern its operating and financial policies. The consolidation ends as of the date in which the Bank loses the control over them.

As of December 31, the main balances of the BBVA Peru Group are the following:

	Assets		Liabilities		Equity	
In million of soles	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Entity						
Banco BBVA Perú	107,384	81,722	98,008	72,534	9,376	9,188
BBVA Bolsa Sociedad Agente de Bolsa S.A.(i)	34	41	15	22	19	19
BBVA Asset Management S.A. SAF (ii)	42	43	2	4	40	39
BBVA Sociedad Titulizadora S.A. (iii)	6	6	1	1	5	5
Inmuebles y Recuperaciones BBVA S.A. (iv)	176	168	4	4	172	164
Continental DPR Finance Company (v)	101	145	101	145	-	-
BBVA Consumer Finance Edpyme (vi)	340	539	235	447	105	92
Forum Comercializadora S.A. (vii)	2	2	-	-	2	2
Forum Comercializadora S.A. (viii)	110	183	85	160	25	23

(i) BBVA Bolsa Sociedad Agente de Bolsa S.A. (hereinafter Sociedad Agente de Bolsa) is a subsidiary of the Bank, in which it owns 100% of the shares with voting rights representing its share capital. Sociedad Agente de Bolsa is engaged in the intermediation of securities, which mainly comprises the purchase and sale of securities by orders of customers (owners of contract), as well as the provision of advisory and information services to investors. Likewise, Sociedad Agente de Bolsa can carry out operations and services compatible with the brokerage activity in the stock market, authorized by the Superintendence of Securities Market (SMV, for its Spanish acronym).

(ii) BBVA Asset Management S.A. Sociedad Administradora de Fondos (hereinafter Sociedad Administradora) is a subsidiary of the Bank, in which it owns 100% of the shares with voting rights representing its share capital. Sociedad Administradora is engaged in management of mutual and investment funds authorized to be operated by the SMV, as well as acquisition and sale of securities. As of December 31, 2020, Sociedad Administradora manages 19 mutual funds of investments in securities, 2 private investment funds and 1 public investment fund.

(iii) BBVA Sociedad Titulizadora S.A. (hereinafter Sociedad Titulizadora) is a subsidiary of the Bank, in which it owns 100% of the shares with voting rights representing its share capital. Sociedad Titulizadora is dedicated to the function of trustee in securitization processes, as well as to acquire assets in order to establish trust funds that support the issuance of credit-bearing securities. As of December 31, 2020, Sociedad Titulizadora manages the assets in 14 trust funds.

(iv) Inmuebles y Recuperaciones BBVA S.A. (hereinafter IRBSA) is a subsidiary of the Bank, in which it owns 100% of the shares with voting rights representing its share capital. IRBSA is engaged to the trade of personal and real state property for its own use or for third parties, through the acquisition, sale, lease, import and export of such properties; as well as any other related activity, without any limitation. Likewise, IRBSA provides management services for the Bank's health care program.

(v) Continental DPR Finance Company is a special purpose corporation. Its objective is fully described in note 13(d)(iii) (securitization of foreign remittances).

(vi) BBVA Consumer Finance Edpyme (hereinafter Edpyme) is a subsidiary of the Bank, in which it owns 100% of the shares with voting rights representing its share capital. Edpyme is engaged to granting financing to natural and legal persons that develop activities classified as small and micro businesses.

Edpyme has a plan to integrate the vehicle business with the Bank in the first half of 2021, and from that period on, the dissolution process of such company would begin.

(vii) Forum Comercializadora del Perú S.A. is a subsidiary of the Bank, in which it owns 100% of the shares with voting rights representing its share capital. Forum Comercializadora del Perú S.A. is engaged to financing motor vehicles, wholesale or retail, to take them or give them in financial lease.

(viii) Forum Distribuidora del Perú S.A. is a subsidiary of the Bank, in which it owns 100% of the shares with voting rights representing its share capital. Forum Distribuidora del Perú S.A. is engaged to direct and indirect financing for motor vehicle dealerships; also to trade, acquire and sell motor vehicles, on credit or cash, wholesale or retail, and take or give them in lease, assignment in use or any other modality allowed by Peruvian laws.

C. Basis of measurement
The consolidated financial statements have been prepared on a historical cost basis, except for the following:

- Derivative financial instruments are measured at fair value;
- Financial instruments at fair value through profit or loss are measured at fair value; and
- Available-for-sale financial assets are measured at fair value.

D. Functional and presentation currency
The Bank prepares and present its consolidated financial statements in soles (S/ or PEN), which is the currency related to the main economic environment in which the Bank operates, such currency influences the Bank's transactions and services it provides, among other factors. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

E. Use of judgments and estimates
In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the BBVA Perú Group accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The accounting estimates and underlying judgments used are reviewed on an ongoing basis. Adjustments resulting from the review of accounting estimates are recognized prospectively, recording the effect in the consolidated statement of profit or loss, as of the year in which the revision is made.

The most relevant estimates and judgments to prepare the consolidated financial statements are the following:

- Determination of the fair value of investments (note 30).
- Accounted investments using the equity method (note 9).
- Provisions for loan losses (note 7).
- Provision for realizable assets and assets seized and recovered through legal actions (note 3.G).
- Provision for employee benefits (note 3.M).
- Useful life of property, furniture and equipment and intangible assets (note 3.F and 3.I).
- Provision for income tax (note 23).
- Deferred tax (note 24).
- Determination of the fair value of derivative instruments (note 30).
- Impairment of non-financial assets (note 3.H).
- Goodwill (note 3.J).

F. New accounting pronouncements

i. New accounting pronouncements not yet adopted

A number of new standards, amendments and interpretations have been issued or amended by the IASB and are effective for annual periods beginning on or after January 1, 2021.

IFRSs, amendments and interpretations	Effective date
Interest Rate Benchmark Reform State 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16).	Annual periods beginning on or after January 1, 2021.
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	Annual periods beginning on or after January 1, 2022.
Annual Improvements to IFRS Standards 2018-2020	Annual periods beginning on or after January 1, 2022.
Property, Plant and Equipment Proceeds before Intended Use (Amendments to IAS16).	Annual periods beginning on or after January 1, 2022.
Reference to the Conceptual Framework (Amendments to IFRS 3)	Annual periods beginning on or after January 1, 2022.
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	Annual periods beginning on or after January 1, 2023.
Amendments to IFRS 17 *Insurance Contracts*	Annual periods beginning on or after January 1, 2023.
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*)	Early adoption is permitted. Effective date deferred indefinitely.

If such standards and amendments were adopted by the SBS, management has not yet assessed their impact on BBVA Peru Group's consolidated financial statements.

ii. Resolutions and standards issued by the CNC and the Superintendence of Securities Market (SMV) concerning the approval and adoption of IFRSs in Peru

As of the date of the consolidated financial statements, the CNC through:

- Resolution 001-2020-EF/30, issued July 16, 2020, formalized amendments to IAS 1 *Presentation of Financial Statements*, and the complete set of IFRS version 2020 (IAS, IFRS, IFRIC and SIC), which includes the *Conceptual Framework in IFRS Standards*, as well as the amendments to IFRS 16 *Leases* (COVID-19-Related Rent Concessions). The validity of the indicated standards is established in each one of them.

- Resolution 002-2020 EF/30, dated September 8, 2020, formalized the amendments to IAS 16 *Property, Plant and Equipment*, IFRS 3 *Business Combinations*, IFRS 4 *Insurance Contracts*, IAS 37 *Provisions, Contingent Liabilities*, IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments* y IAS 41 *Agriculture*.

As indicated in note 2.A, the standards and amendments detailed in *i.*, *ii.* and *iii.* shall only be applicable to the Bank in the absence of applicable SBS regulations for situations not covered in the Accounting Manual. Management has not determined the effects on the preparation of its consolidated financial statements since those standards were not adopted by the SBS.

iii. Main pronouncements issued by the SBS

In 2020, SBS published, among others, the following significant pronouncements:

SBS regulations in the COVID-19 context

a) Reschedule loans

Regulation	Date	Brief description
Official Letter 10997-2020-SBS	March 13, 2020	Official Letter 5345-2010-SBS, dated February 5, 2010, is effective and grants financial institutions power to modify loan agreements, that do not consider the borrower's ability to meet its debt obligation, so that they are considered as refinancing. Its application will require that the debtors have not presented defaults at the time of the state of emergency declaration. Such Official Letter is effective 1 day after its publication.
Official Letter 11150-SBS Official Letter 11170-2020-SBS	March 16, 2020 March 20, 2020	Conditions to reschedule: • The total term of the before mentioned loans does not extend for more than 6 months of the original term, subsequently modified to 12 months. • As of the date of the national state of emergency, the debtors do not have any default.

Regulation	Date	Brief description
Official Letter 12679-2020-SBS Official Letter 13805-2020-SBS	May 5, 2020 May 29, 2020	For amendments made as of May 29, 2020, and only during the national state of emergency, it will be considered that borrower's loans are not longer than 30 days past due in order to comply with the requirement to be up to date with their payments and have no defaults. • For retail portfolio, such modification may be conducted without prior notice. • From June 1, 2020, in the case of new contractual amendments of revolving loans for credit cards, those that only consider an extension or grace period for the minimum payment are not applicable, and the entire debt must be considered in a new schedule to be able to be framed in the provisions of the Official Letter 13805-2020-SBS. Accounting treatment of interest: • The accounting treatment of interest on such loans shall be conducted through the assumption method beginning on the rescheduling date. Therefore, interest that have not been charged as of rescheduling date have to be reversed. • Interest associated to retail loans shall be recorded on an accrual basis. • If such retail loans change to the accounting situation of past due after the payment obligation according with the new schedule is resumed, the entity shall reverse the accrued and unpaid interest, having 6 months to carry out such reversal proportionally. Such reverse will be applicable only for those loans that change their accounting treatment to past due for the first time since the payment obligation is resumed and may be applied for loans that pass to a past due accounting situation until March 31, 2021. • In accordance with Official Letter 11150-2020-SBS, the accounting treatment of interest of wholesale debtors with rescheduled loans shall be subject to the cash-basis method.

b) Risk regulations of market, provisions and capital requirement

Regulation	Date	Brief description
Official Letter 11148-2020-SBS	March 16, 2020	• It establishes that limits for liquidity coverage ratio in local and foreign currency will not be temporarily applied. Such Official Letter is effective 1 day after its publication.
SBS Resolution 1264-2020	March 26, 2020	• It establishes that the deadline extension due to the rescheduling does not increase the risk-weight factor for non-revolving loans and mortgage loans according with the Regulation on Regulatory Capital Requirements for Credit Risks. • The Regulations for Additional Regulatory Capital Requirement established the faculty of the financial entities to use the additional regulatory capital accumulated as of the validity period of this Resolution for the components of the economic cycle.
Official Letter 14454-2020-SBS Official Letter 13195-2020-SBS	June 10, 2020 May 19, 2020	• It approves that, while the national state of emergency is in force and up to 120 days after it is no longer effective, preferred guarantees, that as of February 2020, were updated could maintain their reported value as of such date. • Likewise, in a preventive and responsible manner, financial entities must establish the necessary voluntary reserves that allow them to face increases in risk, when they materialize. In case, it is considered that a release of provisions applies, these must be reassigned as voluntary reserves or for the constitution of other mandatory provisions, and in no case may results of the year or any equity account be affected by the reversal of said provisions.
Official Letter 1882-2020	July 31, 2020	The legal limits to the foreign currency global position (long position and short position) are modified.
Official Letter 2628-2020-SBS	October 26, 2020	The legal limits to derivatives instruments (accounting net position: short and long position) are modified.
Official Letter 2793-2020-SBS	November 10, 2020	It establishes that a credit risk provision rate of 0% is applicable to the part of the credits that are covered by the guarantee of the COVID-19 Guarantee Program when borrower substitution is applied, as of the activation of the guarantee.
SBS Resolution 3155-2020	December 17, 2020	It establishes that the rescheduled loans of debtors with Standard classification are considered debtors with credit risk higher than Standard, corresponding to the level of credit risk With Potential Problems. The specific provisions for credit risk With Potential Problems are applied to these credits.

c) *Suspension of days in arrears*

Regulation	Date	Brief description
Official Letter 11170-2020-SBS	March 20, 2020	• It establishes that, only during the national state of emergency, a borrower may be 15 days past due as maximum as of February 29, 2020, provided that the borrower is up to date with their payments and has no past due loans.
Official Letter 13195-2020-SBS	May 19, 2020	• Loans granted by financial institutions may have the same accounting situation provided the national state of emergency is still effective. The counting of days in arrears recorded as of February 29, 2020, shall be suspended provided the national state of emergency is still effective.
Official Letter 13805-2020-SBS	May 29, 2020	Extensions were approved until May 31, July 21 and, finally, until Augusto 31, 2020 for the suspension of days in arrears.
Official Letter 15944-2020-SBS	July 2, 2020	• For loans with 15-60 days past due as of February 29, 2020, such suspension shall be effective for 1 more month from the date in which the national state of emergency is no longer effective. • Additionally, it establishes that the Bank shall report the lower number of days in arrears resulting from the comparison between: i) the actual days is arrears at the end of the monthly report of the loan, and ii) the suspended days in arrears as of February 29, 2020, plus the days from August 1, 2020, to the end of the monthly report. If due to the calculation, the debtor improves his classification and, therefore, reduces his requirement for provisions, the released provisions must be reassigned to the constitution of other mandatory provisions or, failing that, as voluntary reserves. However, under no circumstance, profit or loss for the year or any equity account shall be affected due to the reversal of said provisions. Actual days in arrears are the number of days past due of the oldest unpaid installment according to the current credit schedule, which must consider the payments made by the customer, if applicable.

d) Regulations associated to Government Programs

Regulation	Date	Brief description
Official Letter 11214-2020	March 23, 2020	It establishes that the repurchase agreement of credit portfolio represented in securities are considered sources of financing available to be included in the contingency funding plan. Such Official Letter is effective one day after its publication.
Official Letter 11518-2020-SBS	April 7, 2020	Accounting treatment of regulatory capital requirement and legal limits of the credit portfolio reporting operations represented in securities held with the BCRP, which came into effect the day after its publication, is approved.
Official Letter 11999-SBS SBS Resolution 1314-2020	April 22, 2020 April 27, 2020	**Reactiva Peru Program** Dispositions over the Reactiva Peru program are established to ensure the continuity of the payment chain before the impact of COVID-19. Such dispositions are the following: • Accounting record as a loan and control through memoranda accounts. • Credit risk provision rate of the Standard borrower whose rate is 0.7% for the guaranteed amount. Subsequently, modified to a rate of 0%. • Risk weighted factor corresponding to the Government for regulatory capital requirement of 0% for the hedged amount. • Not subject to legal limit due to exposure to the Government for the hedged amount.
SBS Resolution 1315-2020 Official Letter 13206-2020-SBS	April 27, 2020 May 19, 2020	**FAE for SME Program** The following dispositions are established: • Accounting record as a loan and control through memoranda accounts. For the portion of the exposition covered with guarantees of FAE for SME: • Credit risk provision rate of 0%. • Apply a risk weighted factor of 0% to calculate the regulatory capital requirement for credit under the standard method. • Legal limit up to 50% for the total of exposure not guaranteed by the FAE for SME.

Regulation	Date	Brief description
SBS Resolution 1546-2020	June 8, 2020	The following dispositions are established: • Approval of the amendment to the Accounting Manual (memorandum accounts related to guarantees received). For the portion of the exposition covered with guarantees of REACTIVA PERÚ Program and the FAE for SME program, when borrower substitution is applied, it is established the following: • That the calculation of the provisions associated with the risk of debt distress for retail debtors shall be excluded. • That it does not apply to record additional provisions for exchange rate risk.
Official Letter 17769-2020-SBS	July 24, 2020	Clarifications over the repurchase agreement with rescheduling of credit portfolio within the framework of Official Letter 0021-2020-BCRP, in terms of accounting record as a loan and control through memoranda accounts and reporting through the Credit Report of Debtors.
Official Letter 37400-2020-SBS	November 25, 2020	It establishes, among other aspects, the following dispositions on the Guarantee programs - COVID-19: • Accounting record as a loan and control through memoranda accounts. For the portion of the exposition covered with guarantees of Guarantee programs - COVID-19: • Credit risk provision rate of 0%. • Apply a risk-weighted factor of 0% to calculate the regulatory capital requirement for credit under the standard method. • Not subject to legal limit due to exposure to the Government for the hedged covered.

3. Accounting Principles and Practices

The significant accounting principles and practices used in the preparation of the BBVA Peru Group's consolidated financial statements, have been applied uniformly with those of the previous period, except for the set of exceptional and preventive measures taken by the Peruvian Government to face the economic crisis generated due to the national state of emergency and the mandatory social isolation due to the COVID-19 outbreak, mentioned in the note 2.F.iii.

A. Financial instruments

Recognition of financial instruments

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

Financial instruments are recognized on the date when they are originated (trade date) and classified as assets, liabilities, or equity according to the contract that gave rise to the financial instrument. Interest, dividends, gains and losses generated by a financial instrument classified as an asset or liability are recorded as income or expenses in the consolidated statement of income. Payments to holders of financial instruments are directly recorded in equity.

Gains arising from the transfer of the loan portfolio are recognized as income; however, for financed transfers or transfers through swaps, these gains are recognized as deferred income, which is accrued based on the monetary income obtained from the realization of the assets received through swaps, or in proportion to the perception of the payment made by the acquirer of the transferred loan portfolio. Losses arising from the transfer are recognized at the moment of the transfer.

Classification financial instruments
BBVA Peru Group classifies its financial instruments on initial recognition and on an instrument-by-instrument basis, in the following categories, according with the Accounting Manual: at fair value through profit or loss, loans and accounts receivable, available-for-sale, held-to-maturity, at amortized cost, and other liabilities.

The classification of financial instruments on initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. At initial recognition, a financial instrument is measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instrument, except for financial assets or financial liabilities measured at fair value through profit or loss.

Derecognition of financial assets and liabilities
BBVA Peru Group recognizes derecognition of a financial asset when: (i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) transfers the contractual rights to receive the cash flows from the financial asset, or assumes a contractual obligation to pay the cash flows to a third party in a pass through arrangement; and (iii) transfers substantially all risks and rewards of ownership of the financial asset to other entity.

BBVA Peru Group recognizes derecognition of a financial liability when its contractual obligations are discharged or canceled or expire. An exchange between an existing borrower and lender of financial liabilities with substantially different terms is recognized as a derecognition of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is recognized as a derecognition of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of a financial liability derecognized and the consideration paid is recognized in the consolidated statement of financial position.

Impairment of financial assets
Impairment of financial assets and the corresponding provisions for impairment are assessed and recorded by BBVA Peru Group in accordance with SBS standards. A financial asset or group of financial assets is impaired if there is objective evidence of impairment as a result of one or more events that occurred subsequent to the initial recognition of the asset (loss event), and if such loss event had an impact on the expected future cash flows of the financial asset or group of financial assets that can be estimated reliably. Any impairment loss is recognized in the consolidated statement of income.

Offsetting financial instruments
Financial instruments are offset when the BBVA Peru Group has a legally enforceable right to set them off, and management intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

B. Derivative financial instruments
Derivative financial instruments are recorded at trade date according with SBS Resolution 1737-2006 "Regulation on Trading and Accounting of Derivative Products in Financial Institutions" and amendments.

Trading derivative financial instruments
Trading derivative financial instruments are initially recognized in the consolidated statement of financial position at cost, subsequently are measured at fair value.

Forward operations, swaps operations and options are recorded at their estimated market price, recognizing an asset or liability in the consolidated statement of financial position, and gains and losses due to valuation or settlement in the consolidated statement of the year. The face value of derivative instruments is recorded in the agreed-upon currency in suspense accounts.

Hedging derivative financial instruments
A hedging derivative instrument is recorded as such if, on trade date, it is foreseen that changes in fair value or cash flows will be highly effective in offsetting changes in hedge, which shall be documented on the trade date of the derivative instrument and during the term of the hedging relationship. A hedge is considered highly effective if changes in the fair value or cash flows of the hedged item and hedging instrument are within a range of 80-125%, according with SBS Resolution 1737--2006 and its amendments.

If the SBS determines the documentation to be insufficient or identifies some weaknesses in the methods used by the Bank, it can require the Bank to eliminate the hedge accounting and recognize derivative instruments as trading instruments.

(i) Fair value hedge
Changes in the fair value of the hedge derivative instrument and hedge is recognized in the consolidated statement of income, form the moment the hedge is designated and, provided it is effective.

Changes in fair value of hedge (gain and losses due to valuation) are recorded as 'accounts receivable' or 'accounts payable,' as appropriate, in the consolidated statement of financial position.

(ii) Cash flows hedges
In a cash flow hedge, the derivative instrument is measured at fair value and may affect 'equity' and 'income.' The portion of the adjustment to its fair value is recognized in 'equity' of the consolidated statement of income and other comprehensive income, while the ineffective portion is recognized in the consolidated statement of income.

For both types of hedging, if the derivative expires, is sold, terminates or is executed, or no longer meets the criteria for hedge accounting, the hedging relationship ends prospectively and the balances recorded in the consolidated statement of financial position and in the consolidated statement of income and other comprehensive income, as appropriate, are transferred to the consolidated statement of income within the effective term of the hedged item.

C. Investments

The Bank applies the recognition and measurement criteria to investments in instruments, in accordance with SBS Resolution 7033-2012 "Regulation on Classification and Measurement of Investments of Financial Institutions" and amendments, as follows:

i. Investments at fair value through profit or loss

Equity and debt securities are classified as investments at fair value through profit or loss if they have been mainly acquired for trading purposes in the near future, or are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking or have been designated in this category since their initial recognition.

On initial recognition, these investments are measured at fair value less transaction costs, which are included as expenses in profit or loss for the period. Subsequently, they are measured at their fair value and the gain or loss from the recovery or sale of these financial assets is recorded in the profit or loss of the year.

Interest income is recognized using the effective interest method. Dividends are recognized in the consolidated statement of income when the right to receive the payment has been established.

Investments at fair value through profit or loss that are pledged as guarantees shall be reclassified as investments available-for-sale. Once these transactions are concluded, investments shall be reclassified at their initial category, transferring the unrealized gains and losses from equity to the consolidated statement of income.

ii. Held to maturity investments

This caption comprises debt instruments with fixed or determinable payments and fixed maturity, which are: they have been acquired or reclassified with the intention of keeping them until their maturity date; companies must have the financial capacity to hold them until maturity; and are instruments different from, at the time of initial recognition, the company has designated to be accounted at fair value through profit or loss, or as assets available for sale.

Likewise, they shall be classified by at least two local or international credit rating agencies and the classifications shall be within the parameters established by the SBS, being excluded from this requirement the instruments of Central Banks of countries whose sovereign debt receives at least the classification that corresponds to the sovereign debt of Peru.

Investments are initially recognized at fair value plus transactions costs that are directly attributable to the instrument’s acquisition.

The subsequent measurement of these investments is carried out at amortized cost, using the effective interest rate method. Any impairment loss is recognized in the consolidated statement of income.

iii. Investments available-for-sale

Investments available-for-sale are all investment instruments that are not classified as investments at fair value through profit or loss, held-to-maturity investments, or investments in subsidiaries, associates and joint ventures. Likewise, all instruments shall be included in this category as required by the SBS.

Investments are initially recognized at fair value plus transactions costs that are directly attributable to the instrument's acquisition. Subsequent measurement of these investments is carried out at fair value; in the case of equity instruments that do not have prices quoted in active markets and whose fair value cannot be reliably estimated, they must be measured at cost. Likewise, in the case of debt instruments, prior to the measurement at fair value, shall be remeasured using the effective interest method, and gains or losses from the changes in fair value shall be recognized.

Gains and losses from the changes in fair value of investments available-for-sale are recognized directly in equity until the instrument is either sold or realized, which is when gains and losses are recognized in profit and loss, except for impairment losses that are recorded in profit and loss.

If an investment available-for-sale is impaired, the accumulated loss (difference between the acquisition cost, net of any repayment and amortization, and the current fair value, less any impairment previously recognized in the consolidated statement of income) is removed from equity and recognized in the consolidated statement of income. Impairment of unquoted shares is the difference between the carrying amount and the present value of future net cash flows discounted using the prevailing market rates for a similar instrument.

Gains or losses from exchange differences related to equity instruments are recognized in equity as 'unrealized profit or loss', while those related to debt instruments are recognized in the consolidated income for the period.

Interest income from investments available-for-sale is recognized using the effective interest method, considering the useful life of the instrument. Premiums and discounts originated on the acquisition date are included in the calculation of effective interest rate.

Dividends are recognized in the consolidated statement of income when the right to receive the payment has been established.

D. Interests in associates

This caption comprises equity instruments acquired to have interests in and joint control or significant influence over other entities.

At initial recognition, these investments are recognized at their fair value, including transactions costs that are directly attributable to the acquisition, and subsequently are measured at investments using the equity method.

The excess between the consideration paid and the fair value of the identifiable assets acquired, and the liabilities assumed on the acquisition date is recognized as goodwill. This goodwill is included in the carrying amount of the investment and is evaluated for impairment as part of the investment. In case the fair value of investment exceeds the consideration paid, this amount is recognized as profit in the consolidated income of the year.

The Bank determined that the fair value of investments is equivalent to the carrying amount of the invested at acquisition date, since they do not have significant non-monetary assets, or they have non-monetary assets recorded at their fair value.

When management identifies that one or more investments in associates are impaired, said impairment shall correspond to the difference between the carrying amount and the recoverable amount of the investment, in accordance with IAS 36 *Impairment of Assets*. The carrying amount of the investment shall be reduced to its recoverable amount. Impairment loss shall be recognized in the consolidated income for the year.

E. Loans and provisions for loan losses

Direct loans are recorded when fund expenditures are made in favor of customers. Indirect loans (contingent) are recorded when the documents supporting such credit facilities are issued.

Finance leases are recognized using the effective interest method, and the amount of the installments receivable is recognized as a loan. Related financial income is recorded on an accrual basis in accordance with the lease arrangement terms. Initial direct costs are immediately recognized as expenses.

i. Types of loans

In accordance with SBS Resolution 11356-2008, loans are classified as: i) corporate loans; ii) large-business loans; iii) medium-business loans; iv) small-business loans; v) micro-business loans; vi) revolving loans; vii) non-revolving loans; and viii) mortgage loans. This classification considers nature of customer, purpose of loan, business size measured per revenue, debt, among others.

ii. Accounting situation of loans

According with the Accounting Manual, direct loans present the following classification according to their situation:

Current loans

They are loans granted in its different modalities, whose payments are up to date, in accordance with the agreement.

Restructured loans

They are loans or direct funding, regardless of its modalities, subject to the rescheduling of payments approved in the restructuring process, ordinary or preventive bankruptcy, as the case may be, in accordance with the Banking Law of the Bankruptcy System approved by Law 27809.

Refinanced loans

They are loans, in their different modalities, in which there are variations in the term and/or amount of the original agreement that are due to difficulties of the debtor's ability to meet its obligations.

Past due loans
They are loans that have not been settled or amortized by the borrowers on the due date. They include loans originated by the amounts disbursed by the Bank in the event of the customer's default, for operations whose payment has been guaranteed by the Bank and/or by letters of credits issued and confirmed assumed by the Bank. The terms for a loan to change from current status to past due are presented below:

Type of loans / Product	Days in arrears
Sovereign loans, to multilateral development banks, public entities, securities intermediaries, financial entities, corporations, large companies and medium-sized companies.	After 15 calendar days of the expiration of any of the agreed installments.
Small-business and micro-business loans	After 15 calendar days of the expiration of any of the agreed installments.
Consumer (revolving and non-revolving) loans and mortgage loans. Finance lease and real state capitalization agreement, regardless of the type of the loan.	Graduated tax After 30 calendar days of not having paid on the agreed date, only the unpaid portion will be considered past due; while after 90 calendar days of default in any of the agreed installments, the entire debt will be considered past due.
Overdrafts in checking accounts, regardless of the amount and type of the loan.	As of the 31-calendar day the overdraft was granted.

Lawsuit loans
They are loans for which the Bank has initiated legal collection actions. The demand for legal collection, unless there are technical and legal reasons, begins within a period of 90 calendar days of having recorded the loan as past due.

iii. Measurements in the COVID-19 context
As a result of COVID-19 and the national state of emergency and mandatory social isolation (note 1.B), the SBS adopted a series of exception measures with accounting impact, which, in terms of credit, are detailed below:

Reschedule loans
They are those credits in which, after evaluation, their contractual conditions have been modified, without going through a refinance, to the extent that the total term of the aforementioned loans does not extend for more than 6 or 12 months of the original term, depending on the type of loan, and that the debtors are up to date with their payments as of the date of the state of emergency. The balance of equity and interests of the rescheduling are controlled in memorandum accounts.

The types of rescheduling are:

a. Massive rescheduling
Massive rescheduling of loans, with or without the approval of the customer and without credit risk assessment, have the following requirements:

   i. The customer shall record 15 days past due as maximum as of February 29, 2020 or as of March 15, 2020.
   ii. The maximum date to request the first rescheduling is until May 30, 2020 (loans to large companies and corporate loans) and until June 30, 2020 (retail loans to medium-sized companies).
   iii. The maximum date for rescheduling is 6 months for loans to large companies and corporate loans, and 12 months for retail loans and medium-sized companies.

b. Individual rescheduling
In individual rescheduling, there must be a credit risk assessment and have the customer's approval. The maximum rescheduling period of 6 and 12 months of mass rescheduling does not apply, and it may be extended to longer periods. Likewise, the customer shall not be more than 30 days past due to the rescheduling date.

c. For both rescheduling types, as of July 1, revolving loans for credit cards shall be rescheduled only for the entire debt in a new payment schedule.

d. Financial entities may apply the accrual criterion for the accounting treatment of the interests associated with the retail loans that are subject to rescheduling. If such retail loans change the accounting treatment to default after the payment obligation according with the new schedule is resumed, the entity shall reverse the accrued and unpaid interest, having 6 months to carry out such reverse proportionally.

e. For wholesale debtors with massive rescheduling loan, the accounting treatment of interest shall be subject to the assumption method. For rescheduling process carried out as an individual credit risk assessment, accrual basis may be applied.

f. SBS Resolution 3155 -2020, dated December 17, 2020, establishes that as of effective date of this resolution, rescheduled loans of the debtors classified as Standard are considered debtors with credit risk above normal level, therefore are classified in WPP. Specific provisions are applied to loans in WPP level, which are applicable to consumer, micro-business and small-business loans.

   For the accrued interests of the rescheduled loans, in the current accounting treatment, corresponding to the loan portfolio of consumer, micro-business and small-business loans, for which the customer has not pay of at least a full installment that includes capital in the last six months to the end of the accounting information, a provision requirement corresponding to the Deficient risk category will be applied. SBS Official Letter 02105-2021-SBS, dated January 14, 2021, accepts the Bank request to not record the provision requirement and indicates that it considers it reasonable that the provisions required for accrued interest on rescheduled loans should be considered covered by the voluntary provisions established by the Bank.

The regulatory requirements indicated above do not affect the classification of the debtor in the Credit Report.

Accrued interest not collected as of the rescheduling date, recognized as income, that is capitalized as a result of the rescheduling, must be repaid and recorded as deferred income, being recorded as revenue based on the new term of the loan and as installments are settled.

Suspension of days in arrears
If there are debtors with more than 15 days past due as of February 29, 2020, financial entities shall be able to suspend the counting of days is arrears and maintain the same financial situation until August 31, 2020. In addition, the days in arrears suspended shall be considered for the credit classification process and calculation of the provision for loans while they remain suspended.

iv. Credit risk rating categories
The credit risk rating categories established by the SBS are the following: Standard, With Potential Problems (WPP), Substandard, Doubtful and Loss, which are designated according to the credit history of the borrower.

Credit risk rating of non-retail loan portfolio (corporate loans, large-business loans and medium-business loans), mainly takes into account the debtor’s payment capacity cash flows, level of compliance with obligations, credit rating designated by other financial institutions, financial position, and management quality. For retail loan portfolio (small-business loans, micro-business loans, revolving and non-revolving loans, and mortgage loans), the credit rating is based on the debtor´s level of compliance with loan payments which is reflected in the defaults and delays, and in their credit rating designated by other financial institutions. In addition, the Bank assesses the exposure to exchange rate risk of the loan portfolio in foreign currency, according to the SBS Resolution 041-2005 and amendments.

v. Provision for loan losses
The provision for loan losses is measured in accordance with the criteria established in SBS Resolution 11356-2008 "Regulation on Borrower Risk Assessment and Credit Rating, and Provision Requirements".

According to current regulations, the Bank considers two types of provisions for loan portfolio: general and specific provisions. The general provision is recorded in a preventive manner for direct and indirect loans rated as "standard" and additionally for the procyclical component when the SBS orders its application. The general provision also includes voluntary provisions.

The voluntary provision is determined by the BBVA Peru Group considering the following: the economic situation of the debtors that make up the high-risk loan portfolio (overdue loans, in judicial collection, rescheduled, refinanced and restructured), previous experience and other factors that, at the management's discretion, require to current recognition of possible losses in the loan portfolio. The amount of voluntary provisions is reported periodically to the SBS.

The specific provision is recorded for direct loans and exposure to credit risk of borrower's indirect loans rated in a credit rating higher than "standard".

The credit risk equivalent of indirect loans is determined by multiplying the indirect loans by the different types of Credit Conversion Factor (CCF) described as follows:

	Description	CCF (%)
(a)	Confirmations of irrevocable letters of credit up to one year, when the issuing bank is a tier 1 foreign financial institution.	20
(b)	Guarantees issued, import letters of credit, and letters of guarantee that support the fulfillment of payment obligations associated with credit risk events, and confirmations of letters of credit not included in a), as well as bank acceptances.	50
(c)	Letters of guarantee not included in b).	100
(d)	Undisbursed loans granted and unused credit lines.	0
(e)	Other indirect loans not included in the prior paragraphs.	100

Provision requirements are determined considering the borrower's credit classification, whether the loan is secured by guarantee, and type of guarantee.

The percentages applied to determine the provision for the loan portfolio are the following:

Credit risk ratings	No guarantees	Preferred guarantees	Readily liquidating preferred guarantees	Self-liquidating preferred guarantees
Standard				
Corporate loans	0.70%	0.70%	0.70%	0.70%
Large-business loans	0.70%	0.70%	0.70%	0.70%
Medium-business loans	1.00%	1.00%	1.00%	1.00%
Small-business loans	1.00%	1.00%	1.00%	1.00%
Micro-business loans	1.00%	1.00%	1.00%	1.00%
Revolving loans	1.00%	1.00%	1.00%	1.00%
Non-revolving loans	1.00%	1.00%	1.00%	1.00%
Mortgage loans	0.70%	0.70%	0.70%	0.70%
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%

As of December 31, 2020 and 2019, the procyclical component for the provision for loan portfolio is deactivated, according to SBS Official Letter B-2224-2014.

A provision for direct loan losses is recorded deducting the balance of the relevant asset (note 7). A provision for indirect loan losses is recorded in 'liabilities' (note 14).

The SBS exceptionally established a zero percent provision rate for credit risk to the part of the loans covered by the guarantee of the Reactiva Peru and FAE for SME program (note 1.C).

SBS Resolution 3155-2020 establishes that the rescheduled loans of debtors with Standard classification are considered debtors with credit risk higher than Standard, corresponding to the level of credit risk WPP. The specific provisions for credit risk WPP are applied to these credits.

F. Property, furniture and equipment

Property, furniture and equipment is recorded at historical cost, which includes disbursements attributable to acquisition, and is presented net of accumulated depreciation and accumulated impairment losses. Annual depreciation is recognized as expense and is determined using the standard cost, under the straight-line method based on the estimated useful life of property, furniture and equipment, using depreciation rates.

	Years
Buildings and premises	33 & 10
Installations and improvements to rental property	10
Furniture and equipment	10 & 4
Vehicles	5

Disbursements incurred after a component of property, furniture and equipment has been put into use are capitalized only when they can be measured reliably and it is probable that such disbursements will result in future economic benefits in excess of the normal performance originally assessed for said asset.

Disbursements for maintenance and repairs are recognized as expenses in the period in which they are incurred. When an item of property, furniture and equipment is sold or disposed, its cost and accumulated depreciation are deleted, and profit or loss resulting from its sale is recognized in the consolidated statement of income.

The Bank is not permitted to apply the revaluation model. It is only permitted to apply the cost model. Likewise, the Banks are prohibited from giving as guarantee their property, furniture and equipment, except those acquired in finance leases.

G. Realizable assets and assets seized and recovered through legal actions

Assets received as payment and repossessed by the Bank as payment of debts are recorded at judicial or extrajudicial value or at value agreed upon in the payment. At initial recognition, recovered assets as a result of the agreement termination, if any, are measured at the lower of the outstanding debt value and the net realizable value. If the outstanding debt value is higher than the value of the recovered asset, the difference is recognized as a loss, provided that its recovery is remote.

Likewise, in accordance with Resolution 1535-2005 "Regulation on the Accounting Treatment of Repossessed and Recovered Assets and Provisions" and amendments, the Bank records provisions as follows:

- For assets received, a provision for 20% of the value on the award or recovery date.
- For fixed assets, a monthly provision within a period of not more than 42 months for the net value obtained during the 12th or the 18th month of award or recovery, depending on whether an extension is granted by the SBS and until 100% of the asset's carrying amount is completed. The net carrying amount of fixed assets is compared with the net realizable value determined by an independent appraiser. The Bank recognizes a provision for impairment loss if the carrying amount exceeds the net realizable value.

- For assets other than fixed assets, a provision for the remaining balance within a period of not more than 12 or 18 months, depending on whether an extension is granted by the SBS.

An impairment loss is recognized when the net realizable value is lower than net carrying amount; accordingly, the carrying amount shall be reduced and the loss shall be recognized in the consolidated statement of income. If net realizable value exceeds the carrying amount, the higher amount shall not be recognized.

H. Impairment of non-financial assets

When there are events or economic changes indicate that the carrying amount of a long-lived asset may not be recoverable, management reviews the carrying amount of the asset at consolidated statement of financial statement. If after the impairment test, the carrying amount exceeds its recoverable amount, an impairment loss is recognized in the consolidated statement of income. The recoverable amount is estimated for each asset.

I. Intangible assets

Intangible assets with finite useful life are recognized at acquisition cost and are presented net of accumulated amortization and any impairment loss. Amortization is recognized as expense. It is determined under the straight-line method based on the estimated useful life of assets. The assets' estimated useful life is between 1 and 5 years.

Costs associated with maintenance of software are recognized as expenses when incurred. The development expenses and unique and identifiable software, which are likely to generate economic benefits, are recognized as intangible assets.

J. Goodwill

Goodwill resulting from the acquisition of a subsidiary or associate corresponds to the excess of the consideration paid over the net fair value of the identifiable assets, liabilities and contingent liabilities of the investee, on the acquisition date. At the beginning, goodwill is recognized as an asset at cost, and, subsequently, presented at cost less any accumulated impairment loss, if any.

For the impairment test, goodwill is assigned to each Cash Generating Unit (CGU) of the Bank that is expected to benefit from the synergies of the combination. A CGU, to which the acquired goodwill has been distributed, is tested for impairment on an annual basis, or more frequently when there are indications that the unit may have deteriorated. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is distributed first by reducing the carrying amount of any goodwill distributed to the CGU, and then to the others assets of the CGU, prorated based on the carrying amount of each of the assets of the unit. Any impairment loss of goodwill is recognized in profit or loss of the period in which it is generated. An impairment loss recognized in goodwill is not reversed in subsequent periods.

K. Non-current assets held for sale

Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell and are recorded in 'other assets' of the consolidated financial statement. Non-current assets are classified as held for sale when their disposal is highly probable and are promptly available for sale. Therefore, management must be committed to sale and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

L. Borrowings and financial obligations

Outstanding instruments and liabilities are financial liabilities recorded at amortized cost using the effective interest method. Amortized cost is calculated taking into consideration any discounts or premiums on issuance. Costs are an integral part of the effective interest rate and are amortized during the validity term of the liabilities. Accrued interest is recognized in the consolidated statement of income.

Outstanding instruments and liabilities are classifying as financial liabilities at fair value through profit or loss when are held for trading or, when at initial recognition have been to be accounted at fair value through profit or loss.

A financial liability classifies as held for trading if:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- It is part of a portfolio of identified financial instruments, which are managed together, and for which there is evidence of a recent pattern of obtaining short-term profits; or
- It is a derivative that is not a financial guarantee contract nor has it been designated as a hedging instrument, and it meets the conditions to be effective.

A financial liability other than those held for trading may be classified as financial liability at fair value through profit or loss if:

- This eliminates or significantly reduces any inconsistency in valuation or recognition;
- It is part of a group of financial assets, financial liabilities or both, which are managed and evaluated according to the fair value criteria, in accordance with a documented investment or risk management strategy of the bank, and whose information is provided by internal way on that basis; or
- It is part of an agreement containing one or more embedded derivatives, and ias 39 allows the entire hybrid (combined) agreement to be designated as a financial asset or a financial liability at fair value through profit or loss.

The financial liabilities at fair value through profit or loss are recorded at fair value. Gains and losses from changes in the fair value of these liabilities are recognized in 'profit or loss from financial operations' of the consolidated statement of income.

M. Employee benefits

i. Short-term employee benefits

Vacations and other benefits
Personnel's annual vacations, paid absences, and other employee benefits are recognized on an accrual basis, considering their probability of disbursement. The provision for estimated liability resulting from services rendered by employees, is recorded on the date of the consolidated statement of financial position.

Severance payment (CTS for its Spanish acronym)
The provision for severance payment is measured, according to current regulations, on the total employees' reimbursement rights, according to current regulations. Payments are deposited in the Bank since it is the financial institution chosen by the employee.

ii. Long-term benefits
It comprises post-employment benefits granted to the Bank's active or retired employee, mainly related to seniority awards and medical benefits. Such benefits are recorded based on an actuarial valuation method determined independently, considering future wages levels in accordance with the market expectations, and the average historical cost of medical expenses and other benefits adjusted for inflation, as well as their probability of occurrence. These future cash flows are discounted considering a market interest rate that corresponds to the issuance of bonds with high credit rating.

Employees' profit sharing
The Bank recognizes a liability and an expense for employees' profit sharing equivalent to 5% of tax base determined in accordance with current tax laws.

In the case of subsidiaries, according to legal regulations, it is not their responsibility to determine the employee's profit sharing, since the number of employees is not more than 20, except in Edpyme.

N. Share-based payments
A group of employees of the Bank is subject to the European Parliament Directive 2013/36/UE in which limits are established on variable remuneration in relation to fixed remuneration. This system of settlement and payment of annual variable remuneration (hereinafter the system) corresponds to those employees who have a significant impact on the Bank's risk profile or exercise control functions and are subject to the following rules:

- Regarding the total annual variable remuneration, 60% is paid the year following the one corresponding to remuneration, during the first quarter of the year; being that 50% is paid in cash and the other 50% in shares of the Parent Company at the market price of the settlement day.
- The outstanding balance of variable remuneration is deferred to 3 years, 50% is paid in cash and the other 50% in shares.
- Likewise, assumptions are established that may limit or prevent in certain cases the delivery of deferred variable remuneration.

The delivered shares will not be available for at least one year, except for the necessary portion to be used for the payment of applicable taxes.

The settlement of the variable remuneration is carried out in the first months of the following year. As of December 31, 2020 and 2019, management's estimation of the deferred variable remuneration mounts to S/ 14 million and S/ 8 million, respectively.

O. Provision, contingent liabilities and contingent assets

(i) Provisions
A provision is recognized when the Bank has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources to settle the obligation shall be required, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed on an ongoing basis and adjusted to reflect the best estimates as of the date of the consolidated statement of financial position. Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenses expected to be required to settle the obligation.

(ii) Contingent assets and contingent liabilities
Contingent assets are not recognized in the consolidated financial statements, but are only disclosed when an inflow of economic resources is probable.

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

P. Income tax
Income tax, either current and deferred, is recognized as 'income and expense', and is included in the consolidated statement of income, except if such amounts are related to items recognized in 'equity,' in which case, current or deferred income tax is also recognized in 'equity.'

According to current tax legislation, current income tax is determined by applying the tax rate for the year and is recognized as an expense.

The deferred tax liabilities are recognized for all taxable temporary differences that arise when comparing the carrying amount of assets and liabilities and their tax base, without considering that the temporary differences estimated at the beginning will be reversed. The deferred tax asset is recognized for all taxable temporary differences that arise when comparing the carrying amount of assets and liabilities and their tax base, to the extent that it is probable that, in the future, the Bank will have sufficient income tax against which it can apply the temporary differences that revert. Deferred tax liability and asset are measured at the income tax rate, which is expected to be apply to tax of the year in which this liability is settled or the asset is realized, using the income tax rate enacted or substantially effective as of the consolidated statement of financial position.

Q. Income and expense recognition
Interest income and expense and service commissions are recognized in profit or loss for the year on an accrual basis, depending on the term of the generating transactions.

Accrued interest from past due, refinanced, restructured and under legal collection loans, as well as loans rated as "doubtful" or "loss", which is recognized in the consolidated statement of income when are collected effectively. If it is determined that the borrower's financial position has improved so that uncertainty on payment of principal does no longer exists, interest is recorded on an accrual basis again.

Other income and expenses are recorded in the period in which they are accrued.

R. Basic and diluted earnings per share

Basic earnings per ordinary share are calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted-average number of outstanding ordinary shares during the year. Since the Bank does not have dilutive financial instruments, earnings per ordinary and diluted share are the same.

S. Repurchase agreements

The Bank applies SBS Resolution 5790-2014, which establishes that securities sold under repurchase agreements on a specific future date, are not derecognized from the consolidated statement of financial position since the Bank retains substantially all risks and rewards of ownership of the asset.

The Bank recognizes the cash received and a liability recorded in 'accounts payable' to refund such cash at maturity. Also, it will make the reclassification of securities subject to the transaction in accordance with SBS regulations. Accounting records of returns will depend on the agreements between the parties. The difference between the final amount and the initial amount shall be recognized as expense against a liability within the transaction term using the effective interest method.

Credit portfolio reporting operations guaranteed by the Government represented in securities

These operations are agreed within the framework of the Reactiva Peru Program. BCRP conducts operations through auctions or direct operations. Market participants sell to the BCRP the securities representative of credits guaranteed by the Government. They receive local currency (amount of the sale) and are obliged to repurchase said securities subsequently, against the payment of local currency (amount of the repurchase). Securities could be:

- Portfolio of securities representative of credits (regular form)
- Certificates of participation in real estate trusts (special form)

The market participant shall monthly pay interest. The operation includes a grace period of 12 months without paying interest, which are prorated over the life of the operation. The market participant is forced to repurchase loans guaranteed by the Government guarantee program each time there is a reduction in their value, or on the resulting date in case of early maturity. In the event of breaches, BCRP shall maintain definitively loans with the Government guarantee program.

As of December 31, 2020 and 2019, the Bank carry out credit portfolio reporting operations guaranteed by the Government represented in securities, loan portfolio and currencies (notes 5, 7 and 14).

T. Consolidated statement of income and other comprehensive income, and changes in equity

Unrealized profit or loss of the measurement of investment available-for-sale, modifications of the hypothesis related with actuarial liabilities and measurement of cash flow hedges is recognized in the consolidated statement of income and other comprehensive income. Deferred tax related with these items are detailed in the corresponding note (note 3.P).

The consolidated statement of changes in equity shows profit or loss for the period, other comprehensive income, accumulated effects of changes in accounting policies or correction of errors, if any, changes in the shareholder transactions, as payment of dividends and capital contributions, and the reconciliation of the opening balances to the closing balances, by revealing every move or change.

U. Cash and cash equivalents

This caption, recorded in the consolidated statement of cash flows, comprises cash and cash equivalents (excluding funds pledges as guarantee), interbank funds, and cash equivalents that correspond to short-term and highly liquid instruments easily convertible into cash and subject to an insignificant risk of changes in the fair value, whose maturity does not exceed 90 days from the acquisition date. According to the SBS, the Bank prepares and presents this statement by applying the indirect method.

The Bank's overdrafts are reclassified as liabilities in the consolidated statement of financial position.

V. Trust fund activities

Assets from fiduciary activities in which there is a commitment to return those assets to customers and in which the Bank acts as the holder, trustee or agent, have been excluded from the consolidated financial statements. Such assets are controlled separately in the consolidated financial statements and are presented in memorandum accounts.

W. Intermediation transactions

Intermediation transactions on behalf of third parties correspond to purchase / sale operations carried out in the stock and over-the-counter markets under specific instructions given by customers to Sociedad Agente de Bolsa. In this type of operation, customers transfer funds to Sociedad Agente de Bolsa in order to settle the operations according to customer' instructions. Such funds are recorded as assets and liabilities in the consolidated statement of financial position.

X. Foreign currency transactions

Foreign currency transactions are recorded, at initial recognition, using the local currency. For this purpose, the amounts in foreign currency are translated to the functional currency by applying the exchange rate on the transaction date, which is the date on which the conditions for their recognition are met.

At the end of each reporting period, the following guidelines are followed:

- Monetary assets and liabilities are translated at exchange rate as the end of each reporting period.
- Non-monetary items, not measured at fair value, are translated at the exchange rate on the date of the transaction.
- Non-monetary items, measured at fair value, are translated at the exchange rate on the date their fair value was established.

The recognition of the exchange difference is subject to the following guidelines:

- The exchange difference that arises when settling monetary assets and liabilities, or when converting said items at exchange rates different from those used for their initial recognition, which have occurred during the year or in previous periods, are recognized in the profit or loss of the year in which they occur.
- When the loss or gain generated by a non-monetary item is recognized in other comprehensive income, any exchange difference included is also recognized in other comprehensive income.
- In the case of non-monetary items, the loss or gain of which is recognized in profit or loss for the year, any exchange difference included in that loss or gain is also recognized in income for the year.

Y. Material errors

Material errors in the preparation of the consolidated financial statements of previous years amended the following year are recognized retrospectively restating balances at the begging of the year in 'assets', 'liabilities' and 'equity,' as appropriate. As December 31, 2020 and 2019, no material errors that involve the restatement of the consolidated financial statements.

4. Foreign Currency Balances

The consolidated statement of financial position includes balances of foreign currency transactions, mainly in U.S. dollars (US$), which are recorded in soles (S/) at the exchange rate established by the SBS. As of December 31, 2020 and 2019, buy and sell exchange rate was US$ 1 = S/ 3.621 and US$ 1 = S/ 3.314, respectively.

Foreign currency transactions in Peru referred to the concepts authorized by the BCRP are channeled through a free banking system. As of December 31, 2020, buy and sell exchange rates used were US$ 1 = S/ 3.618 and US$ 1 = S/ 3.624, respectively (US$ 1 = S/ 3.311 buy and US$ 1 = S/ 3.317 sell, as of December 31, 2019)

As of December 31, foreign currency balances stated in thousands of U.S. dollars are as follows:

	2020			2019		
In thousands of U.S. dollars	**U.S. Dollars**	**Other currencies**	**Total**	**U.S. Dollars**	**Other currencies**	**Total**
Assets						
Cash and due from banks	3,239,581	69,646	3,309,227	3,369,079	51,194	3,420,273
Interbank funds	38,000	-	38,000	45,002	-	45,002
Investments at fair value through profit or loss and available-for-sale	941,932	-	941,932	242,063	-	242,063
Loan portfolio, net	4,556,995	1,443	4,558,438	5,436,511	1,686	5,438,197
Other assets	247,587	1,715	249,302	302,813	17,513	320,326
	9,024,095	**72,804**	**9,096,899**	**9,395,468**	**70,393**	**9,465,861**
Liabilities						
Obligations to the public and deposits from financial system entities	7,509,554	55,222	7,564,776	7,123,878	60,805	7,184,683
Interbank funds	20,000	-	20,000	-	-	-
Borrowings and financial obligations	1,323,129	-	1,323,129	2,011,361	-	2,011,361
Provisions and other liabilities	193,021	10,824	203,845	112,123	18,354	130,477
	9,045,704	**66,046**	**9,111,750**	**9,247,362**	**79,159**	**9,326,521**
Net asset (liability) position	**(21,609)**	**6,758**	**(14,851)**	**148,106**	**(8,766)**	**139,340**
Derivative instruments, assets	4,301,983	267,285	4,569,268	3,934,152	286,569	4,220,721
Derivative instruments, liabilities	4,255,335	277,984	4,533,319	3,970,620	286,354	4,256,974
Net position	**25,039**	**(3,941)**	**21,098**	**111,638**	**(8,551)**	**103,087**

In 2020 and 2019, the Bank recorded net exchange gains for S/ 593 million and S/ 569 million, respectively, which corresponds to the valuation of exchange rate, as well as purchase and sales transactions in foreign currency in 'profit or loss from financial transactions' of the consolidated statement of income (note 20).

The percentage change in the exchange rate of the Sol in relation to the US dollar was 9.26% and -1,75% for the years 2020 and 2019, respectively.

5. Cash and Due from Banks

As of December 31, this caption comprises the following:

In thousands of soles	**2020**	**2019**
Central Reserve Bank of Peru (a)	15,404,584	6,256,301
Banks and other foreign financial entities (b)	5,223,908	2,313,270
Cash (a)	2,360,065	2,625,449
BCRP funds pledges as guarantee (c)	1,505,604	2,223,584
Other funds pledges as guarantee (d)	294,346	33,173
Banks and other local financial entities (b)	137,377	1,319,428
Clearing	28,023	45,005
Other cash and due from banks	360	499
	24,954,267	**14,816,709**

(a) As of December 31, 2020, funds held in cash and deposits with BCRP include US$ 1,366 million and S/ 1,890 million (US$ 2,026 million and S/ 1,707 million as of December 31, 2019), which are intended for hedging the reserve requirement that the Bank shall hold for deposits and obligations according to the limits established by current regulation. These funds are held in the Bank's vault or deposited in the BCRP.

In 2020 and 2019, reserve funds are subject to a rate of 4% and 5% in local currency, respectively, and of 35% in foreign currency in both periods, on the total obligations subject to reserve requirements, as required by the BCRP.

Bank reserve funds of the legal reserve requirements, which is 4%, do not accrue interest. Reserve funds corresponding to the additional reserve requirements in local and foreign currency are remunerated at a nominal interest rate established by the BCRP.

As of December 31, 2020, balances at BCRP correspond to time deposits for S/ 10,600 million (overnight deposits for S/ 219 million as of December 31, 2019). Likewise, as of December 31, 2020, it is included S/ 80 million and US$ 5 million to guarantee the transfer process according with the BCRP requirement since December 2020.

(b) As of December 31, 2020 and 2019, deposits with local and foreign banks mainly correspond to balances in soles and U.S. dollars, as well as lower amounts in other currencies. They have free withdrawal option and accrue interest at market rates.

(c) As of December 31, 2020, it comprises to funds pledges as guarantee that support commitments of repurchase of currency with BCRP for US$ 400 million (US$ 671 million as of December 31, 2019) (note 14(a)) and repurchase agreement of credit portfolio for S/ 40 million.

(d) As of December 31, 2020 and 2019, includes funds pledges as guarantee for operations with derivative financial instruments amounting to S/ 288 million and S/ 27 million, respectively.

In 2020 and 2019, interest income from cash and due from banks amounts to S/ 38 million and 148 million, respectively. It is included in 'interest income' in the consolidated statement of income (note 17).

6. Investments at Fair Value Through Profit or Loss and Available-for-Sale

As of December 31, this caption comprises the following:

In thousands of soles	**2020**	**2019**
Investments at fair value through profit or loss		
BCRP certificates of deposit (a)	4,015,271	2,371,433
Peruvian treasury bonds (b)	663,785	297,690
Investment in mutual funds (c)	43,216	26,331
	4,722,272	**2,695,454**
Investments available-for-sale		
BCRP certificates of deposit (a)	2,557,657	1,831,273
U.S. treasury bills (d)	1,912,583	496,661
Peruvian treasury bonds (b)	1,903,892	1,470,316
Multilateral development banks bonds (e)	147,062	-
Corporate bonds (f)	102,955	117,312
U.S. treasury bonds	44,564	-
Shares in local entities (g)	29,345	27,818
Shares in foreign entities	1,010	1,010
	6,699,068	**3,944,390**
	11,421,340	**6,639,844**

(a) BCRP certificates of deposit are freely tradable securities, repossessed through BCRP public auctions or traded in the Peruvian secondary market. As of December 31, 2019, S/ 983 million of the balance of these instruments are committed to repurchase agreement (note 14 (a)).

As of December 31, 2020, these instruments mature on April 2021 (as of December 31, 2019, mature on February 2021) and annual interest in local currency fluctuates between 0.25% and 5% (between 2.04% and 2.47% in local currency as of December 31, 2019) and 0.17% and 5% in foreign currency.

(b) Peruvian Treasury Bonds correspond to sovereign bonds issued in local currency by the Ministry of Economy and Finance (MEF) of Peru and represent internal public debt securities of the Republic of Peru. As of December 31, 2019, S/ 457 million of the balance of these instruments which were as guarantee for repurchase agreement.

As of December 31, 2020, these bonds accrue interest at annual rates ranging from 0.73% and 5.25% (1.08% and 5.42%, as of December 31, 2019) in local currency and from 0.96% to 1.76% in foreign currency (2.91% as of December 31, 2019). As of December 31, 2020 and 2019, such bonds in local currency mature in February 2055, in both periods, and in foreign currency mature in December 2032 and Julio 2025, respectively.

As of December 31, 2020 and 2019, part of Peru's global bonds, in foreign currency, have a cash flow hedge (note 8 (ii)).

(c) As of December 31, 2020 and 2019, it corresponds to the numbers of shares held by IRBSA in the different funds managed by BBVA Asset Management S.A. SAF.

(d) As of December 31, 2020, U.S. treasury bills accrue interest at annual rates ranging from 0.03% and 0.76% (between 1.49% and 2.50% as of December 31, 2019) in foreign currency and have current maturity in March 2021 (March 2020 as of December 31, 2019).

The balance of the exposure in U.S. Treasury Bills includes S/ 6 million of provisions for country risk.

As of December 31, 2020 and 2019, part of U.S. Treasury Bills has a cash flow hedge. (note 8 (ii))

(e) Multilateral development banks bonds include international corporate bonds in foreign currency issued by Asian Development Bank (ADB) and European Investment Bank (EIB). As of December 31, 2020, these bonds accrue interest at annual rates ranging from 0.16% and 7.28% in foreign currency and have maturity in June 2021.

As of December 31, 2020, the ADB bonds and part of EIB bonds are in foreign currency and have a cash flow hedge. (note 8 (ii))

(f) As of December 31, 2020 and 2019, include corporate bonds issued by Peruvian entities in foreign and local currency.

As of December 31, 2020, these bonds accrue interest at annual rates ranging from 0.65% and 1.04% (between 2.16% and 2.67% as of December 31, 2019) in foreign currency and, as of December 31, 2019, 3.65% in local currency. As of December 31, 2020 and 2019, such bonds in foreign currency have maturity in April 2023, in both periods. Bonds in local currency matured in October 2020.

(g) As of December 31, 2020 and 2019, mainly includes shares at the Bolsa de Valores de Lima - BVL for S/ 29 million and S/ 27 million, respectively. As of December 31, 2020, it was recorded an impairment of S/ 14 million and S/ 4 million over the investments held in BVL and Pagos Digitales Peruanos S.A. (PDP), respectively.

As of December 31, 2020 and 2019, the Bank recorded net unrealized gains on measurement of investments available-for-sale of S/ 111 million and S/ 36 million, respectively (note 15.D).

As of December 31, 2020 and 2019, accrued interest of loan portfolio managed by the Bank amounts to S/ 148 million and S/ 211 million, respectively (note 17).

7. Loan Portfolio, Net

As of December 31, this caption comprises the following:

In thousands of soles	2020		2019	
Direct loans				
Loans	33,852,056	52%	20,251,280	36%
Mortgage loans	12,850,101	19%	12,847,424	23%
Consumer loans	6,489,115	10%	6,700,410	12%
Foreign trade	3,647,036	5%	5,535,077	10%
Finance lease	3,478,196	5%	3,986,476	7%
Project finance	1,853,442	3%	1,716,350	3%
Factoring	1,295,540	2%	1,492,391	3%
Discounts	874,658	1%	1,186,831	2%
Others	2,141,713	3%	2,247,844	4%
	66,481,857	**100%**	**55,964,083**	**100%**
Loans past due and loans under legal collection	2,285,362	3%	1,793,133	2%
Refinanced loans	1,808,355	3%	1,248,536	2%
	70,575,574	**106%**	**59,005,752**	**104%**
More (less):				
Accrued returns on current loans	539,844	1%	362,568	1%
Deferred interest	(102,554)	-	(63,032)	-
Provisions for direct loan losses	(4,419,103)	(7%)	(2,907,009)	(5%)
	66,593,761	**100%**	**56,398,279**	**100%**
Indirect loans	**20,304,156**		**16,607,497**	

As of December 31, 2020 and 2019, 51% of the direct loan portfolio is concentrated in 3,795 and 2,313 customers, which amounts to S/ 36,447 million and S/ 30,648 million, respectively.

Direct loan portfolio with guarantees received from customers, which comprise mortgages, deposits, letters of guarantees, guarantees and warrants, amounts to S/ 54,746 million as of December 31, 2020 (S/ 41,285 million as of December 31, 2019).

As of December 31, 2020, part of the mortgage loan portfolio guarantees a loan with MIVIVIENDA S.A. Fund – MI HOGAR Program, up to S/ 452 million (S/ 453 million as of December 31, 2019) (note 13(b)).

As of December 31, 2020, part of the loan portfolio belongs to the Reactiva Peru, Crecer and FAE program (note 1.C) with balances of S/ 14,931 million, S/ 15 million and S/ 94 million, respectively. Loans of the Reactiva Peru Program are part of the repurchase agreement of credit portfolio with BCRP (note 14(a)). The detail of such loans is detailed as follows:

In thousands of soles	2020
Types of loan	
Corporate loans	38,000
Large business loans	3,835,084
Medium business loans	8,636,617
Others	2,421,675
Total of Reactiva Peru program loans	**14,931,376**

As of December 31, 2020, S/ 199 million of the loan portfolio comprise repurchase agreement of credit portfolio with BCRP (note 14(a)).

As of December 31, 2020, the BBVA Peru Group has proceeded with the write-off of impaired loan portfolio for S/ 72 million (S/ 96 million as of December 31, 2019).

As of December 31, 2020, the BBVA Peru Group has made waivers of credit operations for S/ 80 million, which correspond to the capital, interest and fees (S/ 66 million as of December 31, 2019).

As of December 31, effective interest rates of main assets were the following:

	2020		**2019**	
Type of transaction (%)	**Local currency**	**Foreign currency**	**Local currency**	**Foreign currency**
Loans and discounts	3.39	4.57	7.21	5.19
Mortgage loans	6.99	6.14	7.52	6.49
Consumer loans	21.68	22.64	23.57	28.07

The following are the balances as of December 31, 2020 and 2019, of the direct loan portfolio segmented by type of customer, in accordance with the provisions of SBS Resolution No. 11356-2008:

In thousands of soles	**2020**		**2019**	
Medium business loans	19,959,956	28%	11,537,013	20%
Mortgage loans	13,560,999	19%	13,384,264	23%
Large business loans	12,662,580	18%	9,910,587	17%
Corporate loans	11,941,981	17%	13,231,810	22%
Consumer loans	6,921,830	10%	6,959,035	12%
Small-business loans	3,416,998	5%	1,752,997	3%
Public entities loans	1,195,003	2%	926,515	2%
Financial institutions loans	407,929	1%	806,950	1%
Securities brokerage loans	322,952	-	331,300	-
Micro-business loans	172,346	-	107,280	-
Multilateral development banks loans	13,000	-	58,001	-
	70,575,574	**100%**	**59,005,752**	**100%**

As of December 31, according to current SBS regulations, the credit risk rating of loan portfolio of the BBVA Peru Group is as follows:

	2020						**2019**					
In thousands of soles	**Direct**	**%**	**Indirect**	**%**	**Total**	**%**	**Direct**	**%**	**Indirect**	**%**	**Total**	**%**
Credit risk ratings												
Standard	64,142,505	91	19,307,896	96	83,450,401	91	54,440,658	92	15,809,430	95	70,250,088	93
With potential problems	2,154,440	3	466,670	2	2,621,110	3	1,170,438	2	318,155	1	1,488,593	2
Substandard	1,084,194	2	416,776	2	1,500,970	2	938,551	2	392,589	4	1,331,140	2
Doubtful	881,024	1	36,260	-	917,284	1	874,345	1	38,165	-	912,510	1
Loss	2,210,857	3	76,554	-	2,287,411	3	1,518,728	3	49,158	-	1,567,886	2
	70,473,020	**100**	**20,304,156**	**100**	**90,777,176**	**100**	**58,942,720**	**100**	**16,607,497**	**100**	**75,550,217**	**100**
Deferred interest	102,554				102,554		63,032				63,032	
	70,575,574		**20,304,156**		**90,879,730**		**59,005,752**		**16,607,497**		**75,613,249**	

The movement in the provision for direct loan losses is as follows:

In thousands of soles	2020	2019
Balance at the beginning of the year	(2,907,009)	(2,630,194)
Additions debited to profit or loss	(2,749,072)	(1,685,206)
Recovery of provisions	991,859	923,471
Sale of loan portfolio	225,546	378,969
Write-off	71,506	96,166
Waiver	18,334	10,177
Exchange difference, waivers and other adjustments	(70,267)	(392)
Closing balance	**(4,419,103)**	**(2,907,009)**

The provision for direct loan losses, as shown in the consolidated statement of income, is as follows:

In thousands of soles	2020	2019
Provisions for loan losses	(2,749,072)	(1,685,206)
Recovery of provisions	991,859	923,471
Income from recovery of loan portfolio	6,001	3,861
Provision for loan losses, net of recoveries	**(1,751,212)**	**(757,874)**

Management considers that the level of provision for loans losses covers eventual losses in the direct loan portfolio as of the date of the consolidated statement of financial position and has been made in compliance with all the requirements of current regulations.

The balance of the provision for loan losses (direct and indirect loans) is as follows:

In thousands of soles	2020	2019
Specific	(2,788,296)	(1,897,940)
Specific COVID-19	(128,446)	-
Generic	(585,172)	(629,292)
Voluntary	(915,643)	(377,925)
Provision for country risk	(1,546)	(1,852)
Closing balance	**(4,419,103)**	**(2,907,009)**

BBVA Peru Group, according with current law, has identified customers exposed to exchange rate risk, and considers that the level of such risk is appropriate; therefore, it has not determined an additional provision for this concept.

In 2020, BBVA Peru Group sold loan portfolio for S/ 226 million (S/ 332 million in 2019). The sale amounted to S/ 11 million (S/ 21 million in 2019) and presented in 'profit or loss from financial transactions' of the consolidated statement of income.

As of December 31, 2020, reschedule loans mainly related to the COVID-19 context (note 3.E.iii) amounts to S/ 13,210 million and is detailed as follows:

In thousands of soles	**Total**
Types of loans	
Mortgage loans	4,676,367
Medium-business	3,966,509
Non-revolving loans	1,831,799
Large-business	1,214,955
Revolving loans	844,938
Small-business	512,861
Corporate	157,953
Micro-business	4,429
Total reschedule direct loans	**13,209,811**

Likewise, from the total of rescheduled loans, approximately S/ 2,872 million correspond to interest-free rescheduling from April to June 2020 (consumer, small-business and micro-business loan), whose impact is approximately of S/ 97 million of less finance income.

8. Trading and Hedging Derivatives

As of December 31, 2020 and 2019, BBVA Peru Group trough the Bank holds foreign-exchange forward contracts, cross-currency swaps and interest rate swaps and options. As of December 31, changes in the fair value of held for trading derivative financial instruments are presented as account receivable (assets) or accounts payable (liabilities), as appropriate:

In thousands of soles	*Note*	**Underlaying**	**Nominal**	**Assets**	**Liabilities**
2020					
Trading derivatives					
Currency forward contracts			20,640,060	153,918	205,947
Interest rate swaps			12,326,261	280,024	375,716
Currency swap			10,138,403	469,980	291,822
Options of shares, changes and others			720,484	2,910	2,910
Provision for country risk			-	(8,237)	-
			43,825,208	**898,595**	**876,395**
Hedging derivatives	*6 & 13*				
At fair value (i)					
Interest rate swaps		Bonds issue	2,896,800	102,960	-
Interest rate swaps		Loans	54,315	394	-
Contractual cash flows (ii)					
Currency forward contracts		U.S. treasury bills	217,260	-	2,674
Currency forward contracts		Multilateral development banks bonds	111,161	-	5,466
Currency swap		Peru's global bonds	108,630	-	6,196
Interest rate swaps		Loans	31,037	-	297
			3,419,203	**103,354**	**14,633**
			47,244,411	**1,001,949**	**891,028**

In thousands of soles	***Note***	**Underlaying**	**Nominal**	**Assets**	**Liabilities**
2019					
Trading derivatives					
Currency forward contracts			18,997,442	145,334	148,048
Interest rate swaps			8,279,557	111,093	102,770
Currency swap			6,287,069	302,746	224,063
Options of shares, changes and others			1,167,909	16,053	16,053
Provision for country risk			-	(7,540)	-
			34,731,977	**567,686**	**490,934**
Hedging derivatives	*6 & 13*				
At fair value (i)					
Interest rate swaps		Bonds issue	2,651,200	-	7,986
Interest rate swaps		Loans	1,242,750	-	5,888
Contractual cash flows (ii)					
Interest rate swaps		Loans	47,343	134	-
Currency swap		Loans	331,400	-	1,784
Currency swap		Global bonds 25	99,420	-	4,119
Currency forward contracts		Time deposits	351,313	67	-
Currency forward contracts		U.S. treasury bills	198,840	4,410	-
			4,922,266	**4,611**	**19,777**
			39,654,243	**572,297**	**510,711**

(i) Fair value – hedging derivatives

Interest rate swap
As of December 31, 2020, the Bank holds cross-currency swaps contract at face value for S/ 2,951 million for loans and issuance (S/ 3,894 million as of December 31, 2019). Through IRS, the Bank receives a fixed interest rate in U.S. dollars and pays a variable interest rate in the same currency. In 2020, changes in fair value of IRS amounts to S/ 86 million and is recorded in 'operating profit' of the consolidated statement of income (profit of S/ 120 million in 2019).

The table below shows the detail of hedged elements and their hedging derivatives as of December 31:

		Face value of the hedging instrument stated in thousands of S/		**Fair value of the hedging instrument stated in thousands of S/**	
Hedge element	**Hedging instrument**	**2020**	**2019**	**2020**	**2019**
Fair value hedge		**2,951,115**	**3,893,950**	**103,354**	**(13,874)**
First international issuance of corporate bonds for US$ 500 million (note 13(e))	***Interest rate swap (IRS)*** The Bank receives a fixed interest rate and pays a variable interest rate.	1,810,500	1,657,000	48,067	(3,459)
First international issuance of subordinated bonds for US$ 300 million (note 13(e))	***Interest rate swap (IRS)*** The Bank receives a fixed interest rate and pays a variable interest rate.	1,086,300	994,200	54,894	(4,527)
Wells Fargo loan for US$ 15 million (note 13 (a))	***Interest rate swap (IRS)*** The Bank receives a fixed interest rate and pays a variable interest rate.	54,315	82,850	393	(608)
Deutsche Bank loan for US$ 350 million (note 13 (a))	***Interest rate swap (IRS)*** The Bank receives a fixed interest rate and pays a variable interest rate.	-	1,159,900	-	(5,280)

(ii) Cash flow - hedging derivatives

Interest rate swap
As of December 31, 2020, the Bank holds cross-currency swaps contract at face value for S/ 31 million for loans and issuance (S/ 47 million as of December 31, 2019). Through IRS, the Bank receives a variable interest rate in U.S. dollars and pays a variable interest rate in the same currency.

In 2020, fair value of IRS amounts to S/ 0.1 million of loss, which is recorded in 'equity net of deferred tax' (profit of S/ 0.1 million in 2019).

Currency swap
As of December 31, 2020, the Bank holds currency swaps for a face value amounting to S/ 109 million for the bonds hedge accounted as investments available-for-sale (US$ 30 million of a global bond). Through currency swap of global bonds, the Bank receives a fixed interest rate in soles and pays a variable interest rate in U.S. dollars.

As of December 31, 2019, the Bank holds currency swaps for a face value amounting to S/ 431 million for the bonds hedge accounted as investments available-for-sale and loans (US$ 30 million of a global bond and US$ 100 million off a loan).

Through currency swap of global bonds, the Bank receives a fixed interest rate in soles and pays fixed interest rate in U.S. dollars; and though the currency swaps for loans, Bank receives fixed interest rate in U.S. dollars and fixed interest rate in soles.

In 2020, fair value of currency swaps amounts to S/ 3.3 million of gain, which is recorded in 'equity net of deferred tax' (loss of S/ 3.5 million in 2019).

Currency forward
As of December 31, 2020, the Bank has currency forward contracts at face value equivalent to S/ 328 million for hedging instrument at fixed tax accounted as investment available-for-sale (US$ 60 million of U.S. treasury bills, US$ 20 million of Asian Development Bank (ASD) bonds and US$ 10 million of European Investment Bank (EUI) bonds). Through currency forward of the U.S. treasury bills, the Bank receives a future cash flow in soles and pays a future cash flow in U.S. dollars; for ASD and EUI receives a future cash flow in soles and pays a future cash flow in U.S. dollars.

As of December 31, 2019, the Bank has currency forward contracts at face value equivalent to S/ 550 million for hedging instrument at fixed tax accounted as investment available-for-sale, and at time deposit (US$ 60 million of U.S. treasury bills and US$ 106 million-time deposit). Through currency forward of the U.S. treasury bills, the Bank receives a future cash flow in soles and pays a future cash flow in U.S. dollars; and through currency forward at time deposit, the Bank receives a future cash flows in U.S. dollars and pays a future cash flows in soles.

In 2020, fair value of currency forwards amounts to S/ 2.8 million of gains recorded in 'equity, net of deferred tax' (loss of S/ 1 million of gains 2019).

The table below shows the detail of hedged elements and their hedge instruments as of December 31:

		Face value of the hedging instrument stated in thousands of S/		Fair value of the hedging instrument stated in thousands of S/	
Hedge element	**Hedging instrument**	**2020**	**2019**	**2020**	**2019**
Cash flows hedges		**468,088**	**1,028,316**	**(14,634)**	**(1,292)**
Standard Chartered loan for US$ 9 million (note 13 (a))	***Interest rate swap (IRS)*** The Bank receives a floating interest rate and pays a fixed interest rate.	31,037	47,343	(297)	134
Global bonds for US$ 30 million (note 6 (d))	***Interest rate swap (IRS)*** The Bank receives a fixed interest rate and pays a fixed interest rate in U.S. dollars.	108,630	99,420	(6,196)	(4,119)
U.S. treasury bills for US$ 60 million (note 6 (c))	***Interest rate swap (IRS)*** The Bank receives a future cash flow in soles and pays a future cash flow in U.S. dollars.	217,260	198,840	(2,674)	4,410
ADB bond for US$ 20 million (note 6 (e))	***Interest rate swap (IRS)*** The Bank receives a future cash flow in soles and pays a future cash flow in U.S. dollars.	74,067	-	(4,085)	-
EUI bond for US$ 10 million (note 6 (e))	***Interest rate swap (IRS)*** The Bank receives a future cash flow in soles and pays a future cash flow in U.S. dollars.	37,094	-	(1,382)	-
Wells Fargo loan for US$ 100 million (note 13 (a))	***Cross currency swaps*** The Bank receives a fixed interest rate in U.S. dollars and pays a fixed interest rate in soles.	-	331,400	-	(1,784)
Time deposit for US$ 106 million (note 12)	***Currency forward*** The Bank receives a future cash flow in U.S. dollars and pays a future cash flow in soles.	-	351,313	-	67

9. Associates

As of December 31, this caption comprises the following:

In thousands of soles	**2020**	**2019**
TFP S.A.C. (a)	4,582	4,532
Compañía Peruana de Medios de Pagos S.A.C. (b)	-	11,070
	4,582	**15,602**

(a) As of December 31, 2020 and 2019, BBVA Peru Group, through the Bank, maintains share of 24.30% in the share capital of TFP S.A.C.

(b) As of December 31, 2020 and 2019, BBVA Peru Group, through the Bank, maintains share of 21.03% in the share capital. As of December 31, 2020, the current situation and the decree of the national state of emergency had an impact on the operations and profit or loss of Compañía Peruana de Medios de Pagos S.A.C. (hereinafter the Company), hence the BBVA Peru Group through the Bank recognized loss in such subsidiary for S/ 2 million.

The Company's profit and loss were impacted by the national state of emergency due to COVID-19. On the other hand, the Company's financial statements include the profit or loss of its subsidiary Soluciones y Servicios Integrados SAC, which was created three years ago focusing on the mass sector; therefore, costs and expenses related to generation have been incurred for the new products and brand positioning.

As of December 31, 2020, the Bank has recognized net losses for interests in associates for S/ 0.7 million (S/ 10 million net gains as of December 31, 2019) (note 20).

10. Property, Furniture and Equipment, Net

Movement in property, furniture and equipment and accumulated depreciation for the years 2020 and 2019 was as follows:

In thousands of soles	Land	Buildings and premises	Furniture and equipment	Vehicles	Installations and improvements to rental property	Work-in-progress	Goods in transit and replacement parts	Total
Costs								
Balance as of January 1, 2019	118,224	852,940	671,059	8,565	263,908	118,157	291	2,033,144
Additions	-	8,267	55,102	-	1	93,690	-	157,060
Disposals and sales	-	-	(8)	-	-	-	-	(8)
Derecognition of assets and others	-	(236)	(11,222)	(477)	-	-	(36)	(11,971)
Transfers	-	109,809	17,422	-	(509)	(126,722)	-	-
As of December 31, 2019	**118,224**	**970,780**	**732,353**	**8,088**	**263,400**	**85,125**	**255**	**2,178,225**
Additions	-	8,725	52,390	-	4,560	66,606	-	132,281
Disposals and sales	-	-	(4)	-	-	-	-	(4)
Derecognition of assets and others	-	(217)	(3,214)	-	24	(39)	-	(3,446)
Transfers	-	(79,557)	-	-	79,770	(213)	-	-
As of December 31, 2020	**118,224**	**899,731**	**781,525**	**8,088**	**347,754**	**151,479**	**255**	**2,307,056**
Depreciation								
Balance as of January 1, 2019	-	527,471	398,568	6,356	160,573	-	-	1,092,968
Additions	-	34,600	68,285	760	5,701	-	-	109,346
Disposals and sales	-	-	(8)	-	-	-	-	(8)
Impairment	-	-	-	-	854	-	-	854
Derecognition of assets	-	(4)	(12,558)	(477)	-	-	-	(13,039)
Transfers	-	1,493	-	-	(1,493)	-	-	-
As of December 31, 2019	**-**	**563,560**	**454,287**	**6,639**	**165,635**	**-**	**-**	**1,190,121**
Additions	-	24,645	71,475	643	10,606	-	-	107,369
Disposals and sales	-	-	(4)	-	-	-	-	(4)
Impairment	-	118	-	-	-	-	-	118
Derecognition of assets and others	-	(216)	(3,457)	-	20	-	-	(3,653)
Transfers	-	(16,582)	-	-	16,582	-	-	-
As of December 31, 2020	**-**	**571,525**	**522,301**	**7,282**	**192,843**	**-**	**-**	**1,293,951**
Net cost								
As of December 31, 2020	**118,224**	**328,206**	**259,224**	**806**	**154,911**	**151,479**	**255**	**1,013,105**
As of December 31, 2019	**118,224**	**407,220**	**278,066**	**1,449**	**97,765**	**85,125**	**255**	**988,104**

According to current regulations, the Bank in Peru cannot pledge as guarantee the assets that are part of their property, furniture and equipment, except for those acquired through the issuance of lease bonds to carry out finance leases.

11. Other Assets, Net

As of December 31, this caption comprises the following:

In thousands of soles	2020	2019
Other assets		
Transactions in progress (a)	765,274	1,045,503
Intangible assets (b)	285,337	287,362
Deferred charges (c)	122,256	162,033
Tax credit (d)	176,754	30,699
Other accounts receivable	37,511	34,816
Accounts receivable from the sale of goods, services and trust funds	7,103	7,117
Others	1,978	2,381
	1,396,213	**1,569,911**

(a) Transactions in progress are mainly those carried out during the last days of the month and are reclassified in the following month to their final accounts in the consolidated statement of financial position. These transactions do not have an impact on the BBVA Peru Group's profit or loss. As of December 31, 2020, it mainly corresponds to treasury transactions: i) acquisition and sale of currency for S/ 480 million (S/ 873 million as of December 31, 2019), and ii) sale of securities for S/ 231 million (S/ 136 million as of December 31, 2019).

(b) As of December 31, 2020, intangible assets are recorded net of S/ 246 million of accumulated amortization and impairment (S/ 140 million as of December 31, 2019).

(c) As of December 31, advance payment mainly includes prepaid insurance contracts and deferred loan origination costs related to fees paid to the external sales force.

(d) As of December 31, 2020, it corresponds to sales tax credit amounting to S/ 27 million (S/ 35 million as of December 31, 2019), and income tax credit amounting to S/ 149 million (S/ 5 million as of December 31, 2019).

Goodwill

As of December 31, 2020 and 2019, the BBVA Peru Group through the Bank has evaluated the recoverable amount of CGU it holds, and has recognized loss allowance for S/ 10 million and S/ 4 million of goodwill, which corresponds to the higher value paid over the carrying amount of Edpyme, Forum Comercializadora del Perú S.A. and Forum Distribuidora del Perú S.A.

12. Obligations to the Public and Deposits from Financial System Entities

As of December 31, this caption comprises the following:

In thousands of soles	2020	2019
Obligations to the public		
Demand deposits	29,778,628	18,404,285
Savings deposits	24,711,799	17,239,084
Time deposits	16,247,276	18,913,066
Other obligations	74,831	103,543
	70,812,534	**54,659,978**
Deposits from financial system entities		
Time deposits	815,785	1,094,989
Demand deposits	512,338	353,260
Savings deposits	71,940	51,056
	1,400,063	**1,499,305**
	72,212,597	**56,159,283**

As of December 31, 2020 and 2019, obligations to the public include deposits received as guarantees of direct and indirect loan for S/ 963 million and S/ 776 million, respectively.

The Bank determines deposit interest rates based on the interest rates prevailing in the market. For the main products, the annual interest rates prevailing as of December 31, 2020 and 2019 fluctuated as follows:

	2020		2019	
%	Local currency	Foreign currency	Local currency	Foreign currency
Checking accounts	0.00 – 0.25	0.00 – 0.125	0.00 – 0.25	0.00 – 0.125
Saving deposits	0.00 – 0.50	0.00 – 0.25	0.00 – 0.50	0.00 – 0.125
Time deposits and bank certificates	0.80 – 1.35	0.10 – 0.80	0.80 – 1.35	0.10 – 0.50
Super depósito bank account	0.80 – 1.35	0.10 – 0.80	0.80 – 1.35	0.10 – 0.50
Severance payment deposits	1.00 – 2.50	0.60 – 1.75	1.50 – 2.50	0.60 – 1.75

As of December 31, 2020, from the total deposits and obligations from individuals and non-profit entities and legal entities, S/ 22,813 million are hedge by the Deposit Insurance Fund (S/ 17,685 million as of December 31, 2019) and are obtained from the average daily balances of the month according with SBS Resolution 0657-99. The maximum amount subject to hedge by person amounts to S/ 101,522 at the end of December 2020 (S/ 100,661 as of December 31, 2019).

13. Borrowings and Financial Obligations

As of December 31, this caption comprises the following:

In thousands of soles	2020	2019
Borrowings and financial obligations		
Foreign financial entities (a)	1,357,873	2,980,024
MIVIVIENDA Program - MIHOGAR loan - Local financial system entities (b)	475,677	539,802
Corporación Financiera de Desarrollo - COFIDE (c)	134,236	8,070
Accrued interest payable	7,125	27,524
Foreign financial agencies (d)	-	331,400
	1,974,911	**3,886,820**
Securities and bonds (e)		
Corporate bonds	3,026,713	3,306,077
Subordinated bonds	1,763,493	1,589,292
Negotiable certificates of deposit	131,903	332,359
Notes (debt instruments)	85,700	129,635
Accrued interest payable	70,998	76,613
Finance leases bonds	-	358,000
	5,078,807	**5,791,976**
	7,053,718	**9,678,796**

Certain loans agreements include standard clauses regarding compliance with financial ratios, use of funds and other administrative matters. As of December 31, 2020 and 2019, in management's opinion, these clauses are being met, in all material respects, and do not represent any restriction to the BBVA Peru Group's activities.

(a) As of December 31, 2020, the BBVA Peru Group maintain the following debt agreements with foreign financial institutions, which accrue interest at annual LIBOR rates ranging from +0.52% to 5% (from LIBOR rate +0.35% to 7.4% as of December 31, 2019).

	2020		**2019**		
In thousands of	**US$**	**S/**	**US$**	**S/**	**Maturity date**
Wells Fargo Bank (i)	100,000	362,100	100,000	331,400	May 2022
Toronto Dominion Bank	80,000	289,680	-	-	March and April 2021
Sumitomo Bank, NY	60,000	217,260	-	-	May 2021
Citibank NY	50,000	181,049	150,000	497,100	November 2021
Mizuho Corporate Bank	50,000	181,049	-	-	November 2023
ICO - Instituto de crédito	35,000	126,735	100,895	334,367	August 2022
Deutsche Bank (ii)	-	-	348,328	1,154,357	November 2020
Credit Suisse (iii)	-	-	200,000	662,800	October 2040
	375,000	**1,357,873**	**899,223**	**2,980,024**	
Accrued interest payable	1,647	5,965	7,380	24,457	
	376,647	**1,363,838**	**906,603**	**3,004,481**	

(i) It corresponds to a loan for a nominal amount of US$ 15 million (US$ 25 million as of December 31, 2019), agreed at annual fixed interest rate of 5%, with maturity on June 2022, which have a fair value hedge through interest rate swaps. As of December 31, 2020, such loan has generated accumulated losses for S/ 0.3 million (S/ 0.5 million accumulated gains as of December 31, 2019). (note 8(i)).

(ii) Loan for US$ 350 million, agreed at annual fixed interest rate of 5.5% and whose maturity was on November 2020. This loan had an accounting hedge through an interest rate swap, which as of December 31, 2019 generated accumulated gains for S/ 4 million.

(iii) On October 7, 2020, the Bank executed early redemption of the subordinated loan for US$ 200 million contracted with Credit Suisse, Cayman Islands Branch in accordance with the agreed between the parts.

(b) As of December 31, 2020, it corresponds to resources for the financing of the acquisition of houses under the MI VIVIENDA program (MI HOGAR credit) which amounts to S/ 449 million and US$ 1 million (S/ 448 million and US$ 1 million as of December 31, 2019). As of December 31, 2020 and 2019, this loan accrue interest at an annual effective rate in U.S. dollars of 7.75 % and in soles of 6.25 % on principal plus constant update value in both periods, and have maturity on December 2040 and December 2039, respectively.

As of December 31, 2020 and 2019, debts with MIVIVIENDA fund are guaranteed with mortgage loan portfolio up to S/ 452 million and S/ 453 million, respectively (note 7). These loans include specific agreements on how the funds should be used, the financial conditions that the final borrower must maintain, as well as other administrative matters.

(c) As of December 31, 2020, it includes balances corresponding to FAE, which is managed by COFIDE, that in local currency amounts to S/ 127 million, and in foreign currency amounts to US$ 0.2 million. As of December 31, 2020, these balances accrue interest at annual rates ranging from 4.61% and 7.51% in local currency, and 5.29% and 7.36% in foreign currency, and have maturity in April 2023.

(d) As of December 31, 2019, it corresponds to debts with CAF for US$ 100 million, which accrue interest at rates ranging from 2.01% to 2.56%, respectively, and do not have specific guarantees.

(e) As of December 31, securities and bonds are as follows:

Program	Authorized amount	Currency	Original amount in place	2020	2019	Maturity date
Corporate bonds						
1st issuance, single series - Fourth Program	US$ 100 million	PEN	40,000	-	40,000	August 2020
2nd issuance, series A - Fourth Program		PEN	80,000	-	80,000	August 2020
2nd issuance, series A - Fifth Program	US$ 250 million	PEN	150,000	150,000	150,000	December 2026
2nd issuance, series A - Sixth Program		PEN	150,000	150,000	150,000	June 2021
3rd issuance, series A - Sixth Program		PEN	350,000	-	350,000	November 2020
1st issuance, series A - Seventh Program	US$ 1,000 million	PEN	132,425	132,425	132,425	June 2021
1st issuance, series B - Seventh Program		PEN	69,435	69,435	69,435	June 2021
2nd issuance, series A - Seventh Program		PEN	100,000	100,000	100,000	July 2023
2nd issuance, series B - Seventh Program		PEN	73,465	73,465	73,293	August 2023
1st issuance, series C - Seventh Program		PEN	70,000	70,000	70,000	September 2021
1st issuance, series D - Seventh Program		PEN	120,000	120,000	120,000	July 2022
1st issuance, series E - Seventh Program		PEN	65,520	65,520	65,520	August 2022
1st issuance, series F - Seventh Program		PEN	150,000	150,000	150,000	October 2022
2nd issuance, series C - Seventh Program		PEN	96,550	96,550	96,550	December 2024
First Program of international Issuance (i)	US$ 500 million	USD	500,000	1,849,318	1,658,854	August 2022
				3,026,713	**3,306,077**	
Subordinated bonds						
2nd issuance, series A - First Program	US$ 50 million or S/ 158.30 million	USD	20,000	72,177	66,030	May 2027
3rd issuance, series A - First Program		PEN	55,000	81,672	79,959	June 2032
2nd issuance, series A - Second Program	US$ 100 million	PEN	50,000	72,715	71,190	November 2032
3rd issuance, series A - Second Program		USD	20,000	72,420	66,280	February 2028
4th issuance, single series - Second Program		PEN	45,000	63,155	61,831	July 2023
5th issuance, single series - Second Program		PEN	50,000	69,266	67,814	September 2023
6th issuance, series A - Second Program		PEN	30,000	40,844	39,987	December 2033
1st issuance, single series - Third Program	US$ 55 million	USD	45,000	162,945	149,130	October 2028
First Program of international Issuance - Single issuance (ii)	US$ 300 million	USD	300,000	1,128,299	987,071	September 2029
				1,763,493	**1,589,292**	
Finance leases bonds						
1st issuance, series A - Second Program	US$ 250 million	PEN	158,000	-	158,000	December 2020
1st issuance, series C - Second Program		PEN	200,000	-	200,000	January 2020
				-	**358,000**	
Negotiable certificates of deposit				**131,903**	**332,359**	
Notes (iii)						
2nd issuance of notes - Series 2012-C and 2012-D	US$ 235 million	USD	235,000	85,700	129,635	June 2022
				85,700	**129,635**	
Accrued interest payable				**70,998**	**76,613**	
				5,078,807	**5,791,976**	

In August 2012, the Bank issued corporate bonds in the international market for a face value of US$ 500 million, at an annual fixed rate of 5%, and with maturity in August 2022. The main payment shall be carried out in full on its maturity date. Fair value of this issuance has an accounting hedge through cross-currency swaps contracts, which accrued accumulated losses for S/ 39 million as of December 31, 2020 (accumulated losses for S/ 2 million as of December 31, 2019).

(i) In September 2014, the Bank issued subordinated bonds in the international market for a face value of US$ 300 million, at an annual fixed rate of 5.25%, and with maturity in September 2029. The main payment shall be carried out in full on its maturity date. Fair value of this issuance has an accounting hedge through cross-currency swaps contracts, which accrued accumulated losses for S/ 47 million as of December 31, 2020 (accumulated gains for S/ 2 million as of December 31, 2019).

(ii) Notes issued on June 2012, which balance as of December 31, 2020 amounts to US$ 24 million (US$ 39 million as of December 31, 2019), contains financing for US$ 9 million (US$ 14 million as of December 31, 2019), with maturity in June 2022, and have accounting hedge through cross-currency swaps contracts (note 8(ii)). Likewise, it corresponds to a loan for US$ 15 million (US$ 25 million as of December 31, 2019), agreed at annual fixed interest rate of 5%, with maturity on June 2022, which have accounting hedge through cross-currency swaps contracts. As of December 31, 2020, such loan has generated accumulated losses for S/ 0.3 million (accumulated gains for S/ 0.5 million as of December 31, 2019).

    These financings are guaranteed by the present and future flows generated by the electronic payment orders of customers (Diversified payments rights - DPR's). Likewise, it has compliance terms related to the Bank's financial ratios, and other specific terms related to transferred cash flows, which the management consider fulfilling as of December 31, 2020 and 2019.

As of December 31, 2020, corporate bonds do not have specific guarantees and accrue interest at annual rates ranging from 3.9% and 7.5% in local currency and 5% in foreign currency (between 4.1% and 7.5% in local currency and 5% in foreign currency as of December 31, 2019).

Subordinated bonds have been issued in accordance with the Banking Law and accrue interest at a rate ranging from constant update value plus a spread and 5.6% for local currency, and from 5.3% and 6.5% in foreign currency, as of December 31, 2020 and 2019.

As of December 31, 2019, financing lease bonds accrue interest at annual interest rate from 4.63% to 6.03% for local currency, that are supported by loan transactions in the form of financial leasing that have been financed with resources obtained through such bonds.

As of December 31, 2020 and 2019, BBVA Peru Group have in accounts payable a balance of S/ 7 million and S/ 10 million, respectively, which corresponds to deferred issuance expenses.

14. Accounts Payable, Provisions and Other Liabilities

As of December 31, this caption comprises the following:

In thousands of soles	2020	2019
Accounts payable		
Repurchase agreements (a)	15,183,940	3,545,845
Accounts payable to suppliers	361,868	276,410
Other accounts payable and sales tax (b)	186,878	63,530
Premium to deposit insurance fund, contributions and obligations with tax collecting institutions	128,063	128,329
Dividends, interest and remunerations payable	114,026	134,086
Interest payable	61,136	68,766
	16,035,911	**4,216,966**
Other liabilities		
Transactions in progress (c)	746,284	1,097,046
Deferred income and others	74,524	24,990
	820,808	**1,122,036**
Provisions		
Labor provisions and others	416,682	315,770
Provision for contingent loans (d)	247,027	226,175
Provision for litigations, claims and other contingencies	225,220	218,680
	888,929	**760,625**
	17,745,648	**6,099,627**

(a) As of December 31, 2020, it corresponds to the balance of liabilities for purchase agreements of foreign currency for S/ 1,383 million, repurchase agreement of credit portfolio of the Reactiva Peru Program for S/ 13,602 million and repurchase agreement of rescheduled credit portfolio for S/ 199 million, with BCRP. As of December 31, 2019, it corresponds to S/ 2,224 million for repurchase agreement of foreign currency, S/ 373 million for repurchase agreement of certificates of deposit, S/ 348 million for repurchase agreement of sovereign bonds, with BCRP and S/ 600 million for repurchase agreement with financial entities.

As of December 31, 2020, repurchase agreement of foreign currency have maturity on April 2021 (October 2020 as of December 31, 2019) and accrue interest at annual interest rate of 1.80% and 3.61% (between 3.47% and 5.01% as of December 31, 2019); repurchase agreement of credit portfolio of the Reactiva Peru Program have maturity up to December 2023 and accrue interest at annual rate of 0.50%. Repurchase agreement of rescheduled credit portfolio have maturity on August 2024 and accrue annual interest rate of 0.50%.

(b) As of December 31, 2020, it includes S/ 110 million for short-term sale transactions.

(c) Transactions in progress are mainly those carried out during the last days of the month and are reclassified in the following month to their final accounts in the consolidated statement of financial position. These transactions do not affect the BBVA Peru Group's profit or loss. As of December 31, 2020, liability transactions in progress mainly include treasury transactions for S/ 612 million (S/ 1,028 million as of December 31, 2019).

(d) Movement in the loss allowance for direct (or indirect) loans is as follows:

In thousands of soles	2020	2019
Balance as of January 1	226,175	214,604
Provisions	84,193	93,089
Recovery and reversals	(72,179)	(77,882)
Exchange difference and other adjustments	8838	(3,636)
Balance as of December 31	**247,027**	**226,175**

The balance of the provision for loan losses (indirect loans) is as follows:

In thousands of soles	2020	2019
Specific	111,295	95,520
Generic	120,692	117,951
Provision for country risk	15,040	12,704
Balance as of December 31	**247,027**	**226,175**

(e) BBVA Peru Group has several pending court claims, litigation and other processes that are related to the activities it develops, and in the opinion of Management and its legal advisors, they will not result in additional liabilities to those registered.

15. Equity

A. Regulatory capital and legal limits

In accordance with the Banking Law, regulatory capital amount could not be less than 10% of the assets and indirect loans weighted per credit risk, market and operational risk, which are calculated by the Bank and by EDPYME using the standard method for calculating the effective equity requirement for credit risk and market. In the case of operational risk, the Bank uses the alternative standard method, while EDPYME uses the basic indicator method.

On an individual basis, as of December 31, 2020, the effective equity of the Bank and EDPYME, determined according to current legal regulations, is S/ 10,649 million and S/ 87 million, respectively (S/ 10,776 million and S/ 85 million as of December 31, 2019). This figure is used to calculate certain limits and restrictions applicable to all banking entities in Peru, which management considers having fully complied with.

As of December 31, 2020, assets and indirect loans weighted per credit, market and operational risk of the Bank and EDPYME, determined according to current legal regulations, is S/ 77,820 million and S/ 476 million, respectively (S/ 76,706 million and S/ 613 million as of December 31, 2019).

As of December 31, 2020, aggregate capital ratio for market, operational and credit risks of the Bank and Edpyme is 13.68% and 18.25%, respectively (14.05% and 13.82% as of December 31, 2019).

As of December 31, 2020, the Additional Regulatory Capital Requirement of the Bank and EDPYME is S/ 1,285 million and S/ 8 million, respectively (S/ 1,604 million and S/ 9 million as of December 31, 2019).

B. Share Capital

As of December 31, 2020, the authorized, subscribed, and paid-in capital is represented by 6,529,169 thousand ordinary shares with a face value of S/ 1 each (5,885,209 thousand ordinary shares as of December 31, 2019).

The General Shareholders' Meeting, held May 11, 2020 and March 27, 2019, approved the increase in share capital for S/ 644 million and S/ 517 million, respectively, through the capitalization of retained earnings.

Shareholding on the Bank's share capital as of December 31, is as follows:

	2020		2019	
Interests	**N° of shareholders**	**Interests %**	**N° of shareholders**	**Interests %**
Up to 1	8,045	3.01	7,664	3.04
From 1.01 to 5	4	4.75	3	4.72
From 45.01 to 100	2	92.24	2	92.24
	8,051	**100.00**	**7,669**	**100.00**

C. Reserves

In accordance with the Banking Law, the Bank is required to have a legal reserve of more than 35% of the paid-in-capital. This legal reserve shall be recognized by an annual transfer of more than 10% of profit after tax. It shall replace the reserve referred to in the Companies Act. In accordance with the Banking Law, the amount of this reserve may also be increased with contributions made by the shareholders for this purpose.

General Shareholders' Meeting held May 11, 2020 and March 27, 2019, approved to record the legal reserve for the amount equivalent to 10% of 2019 profits (161 million) and 2018 profit (S/ 148 profit), respectively.

D. Adjustments to equity

As of December 31, 2020 and 2019, unrealized profit or loss, net of deferred tax, was as detailed below:

In thousands of soles	***Note***	**2020**	**2019**
Investments available-for-sale	*6*	110,556	36,331
Cash flows hedges	*8*	5,953	(4,448)
Other comprehensive income from associates		131	53
Actuarial liabilities		2,508	(9,120)
		119,148	**22,816**

E. Retained earnings

The General Shareholders' Meeting, held May 11, 2020 and March 27, 2019, approved the capitalization of retained earnings for S/ 644 million and S/ 517 million, respectively. Likewise, in such meetings, it was approved the dividend distribution of S/ 563 million and S/ 812 million, respectively. Additionally, General Shareholders' Meeting, held May 11, 2020, approved to allocate S/ 241 million in 'retained earnings'.

On October 28, 2020, the Board of Directors, in exercise of powers conferred by the General Shareholders' Meeting held May 11, 2020, and in accordance with the provisions of article 184, literal A), subsection 2 of the Banking Law, approved unanimously to capitalize the profits for the year 2020 for S/ 142 million. Such commitment shall be effective in the next General Shareholder's Meeting.

On October 30, 2019, the Board of Directors, in exercise of powers conferred by the General Shareholders' Meeting held March 27, 2019, and in accordance with the provisions of article 184, literal A), subsection 2 of the Banking Law, approved unanimously to capitalize the profits for the year 2019 for S/ 408 million. On January 29, 2020, Board of Directors, held on October 30, 2019, approved to increase the capitalization of profit from S/ 408 million to S/ 569 million, debited to the 2019 profits. Both commitments were effective on General Shareholder's Meeting, held on May 11, 2020.

16. Risks and Contingent Commitments

As of December 31, this caption comprises the following:

In thousands of soles	**2020**	**2019**
Indirect loans:		
Guarantees and letters of guarantee	18,854,043	15,510,355
Letters of credit and banker's acceptances	1,450,113	1,097,142
	20,304,156	**16,607,497**
Unused credit lines and non-disbursed loans granted	13,724,115	13,365,509
Various responsibilities	5,794	5,302
	34,034,065	**29,978,308**

In the normal course of its business, BBVA Peru Group participates in transactions whose risk is recorded in contingent accounts. These transactions expose the BBVA Peru Group to credit risk, in addition to the amounts presented in the consolidated statement of financial position.

Credit risk for contingent transactions is related to the probability that a counterparty will fail to meet its obligations in accordance with agreed terms.

BBVA Peru Group applies similar credit policies when evaluating and granting direct and indirect loans. In management's opinion, contingent transactions do not represent a relevant credit risk since it expects that a portion of these indirect loans expire without being used. The total amount of indirect loans does not necessarily represent future cash outflows for BBVA Peru Group.

Management estimates that no significant losses will arise, for contingent transactions effective as of December 31, 2020 and 2019.

17. Interest Income

This caption comprises the following:

In thousands of soles	2020	2019
Direct loan portfolio	4,078,586	4,429,896
Investments available-for-sale	91,689	111,688
Investments at fair value through profit or loss	56,268	99,802
Cash and due from banks	38,118	148,193
Hedging operations	28,297	-
Interbank funds	263	2,190
Other financial income	5,334	4,777
	4,298,555	**4,796,546**

18. Interest Expenses

This caption comprises the following:

In thousands of soles	2020	2019
Borrowings and financial obligations	(474,005)	(496,913)
Obligations to the public	(442,523)	(688,545)
Accounts payable	(87,573)	(69,122)
Deposits from financial system entities	(27,866)	(59,485)
Interbank funds	(3,231)	(8,737)
Other financial expenses	(19,178)	(15,551)
Hedging operations	-	(36,559)
	(1,054,376)	**(1,374,912)**

19. Income from Financial Services, Net

This caption comprises the following:

In thousands of soles	2020	2019
Income		
Income from indirect loans	210,330	206,605
Income from credit card commissions	202,955	269,405
Income from commissions on transfers	175,959	167,651
Income from commissions on collection services	142,761	133,497
Income from services and maintenance of checking accounts	53,245	49,653
Income from online corporate banking services	49,896	45,930
Income from advisory services	17,948	20,682
Income from technical and legal studies	14,887	12,701
Income from cash services	6,850	15,778
Income from trust and commission of trustee	1,480	1,286
Other income for services	281,356	296,209
	1,157,667	**1,219,397**
Expenses		
Expenses from Visa and Mastercard operations	(106,841)	(141,368)
Deposit insurance fund premiums	(91,753)	(74,402)
Customer loyalty programs	(57,114)	(93,093)
Transfers	(18,062)	(11,768)
Foreign exchange spot transaction	(7,891)	(7,388)
Checking account maintenance expenses	(4,222)	(4,353)
Other expenses of services	(60,305)	(74,188)
	(346,188)	**(406,560)**
	811,479	**812,837**

20. Profit or Loss from Financial Operations

This caption comprises the following:

In thousands of soles	**2020**	**2019**
Gain on exchange difference (note 4)	592,586	568,956
Investments at fair value through profit or loss	27,394	44,407
Investments available-for-sale	21,478	31,114
Trading derivatives	105	4,270
Loss (gain) on securities	(760)	10,382
Others	18,909	33,739
	659,712	**692,868**

21. Administrative Expenses

This caption comprises the following:

In thousands of soles	**2020**	**2019**
Personnel expenses and Directory	(862,851)	(866,146)
Expenses for services provided by third parties	(794,818)	(764,917)
Taxes and contributions	(49,779)	(49,808)
	(1,707,448)	**(1,680,871)**

22. Other Expenses and Income, Net

As of December 31, 2020 and 2019, it mainly comprises gain on sale of assets seized and recovered through legal actions (loss in 2019), loss on sale of non-current assets held for sale, expenses on assets seized and recovered through legal actions, loss not covered by insurance, donations granted, revenue from leases, among other income and expenses.

23. Tax Matters

Tax rates

A. BBVA Peru Group is subject to the Peruvian tax regime. As of December 31, 2020 and 2019, corporate income tax is calculated based on the net taxable income determined by the Bank at a rate of 29.5%. Employees' profit sharing and retention ratio of 5% applicable to outbound dividend distribution is not considered therein.

Through Legislative Decree 1261, published December 10, 2016 and effective January 1, 2017, the corporate income rate was amended to 29.5%.

The rates applicable to the corporate income tax for the last taxable years are as follows:

Until year 2014	30.0%
For years 2015 and 2016	28.0%
For year 2017 onwards	29.5%

The aforementioned Decree also established the amendment to the income tax rate applicable to outbound dividend distribution and any other form of profit distribution to 5% for profits generated and distributed from January 1, 2017.

For the years 2019 and 2018, the income tax rate for dividend distribution and any other form of profit distribution applicable to legal persons not domiciled in Peru and natural persons is 5.0%. Thus, the rates applicable to income tax on dividends for the last taxable years are as follows:

Until year 2014	4.1%
For years 2015 and 2016	6.8%
For year 2017 onwards	5.0%

It will be presumed, without proven otherwise, that the dividend distribution or any other form of profit distribution that is made corresponds to retained earnings or other concepts likely to generate older taxed dividends.

B. In accordance with current Peruvian tax law, non-domiciled individuals only pay taxes for their Peruvian source income. Thus, in general terms, revenues obtained by non-domiciled individuals from the services rendered in Peru shall be subject to a 30% income tax on gross income, provided that no current and entered into double tax treaties are applicable. On this concern, Peru has currently entered double tax treaties with the Andean Community, Chile, Canada, Brazil, Portugal, Switzerland, Mexico, South Korea and Japan.

Concerning the technical assistance or digital services rendered by non-domiciled individuals to domiciled individuals, regardless of the place where the service is rendered, they shall be subject to a 15%- and 30%-income tax rate on gross income, respectively. Technical support shall be subject to a 15% applicable rate, provided that Income Tax Law requirements are met. As noted above, the retention ratio in these situations may vary or retention may not be applicable if provisions of current double tax treaties are applied.

Income tax determination

C. The BBVA Peru Group computed its tax base for the years ended December 31, 2020 and 2019 and determined consolidated current tax for S/ 239 million and S/ 630 million, respectively.

Tax expense per company comprises the following:

In thousands of soles	**2020**	**2019**
Entities		
Banco BBVA Perú	224,356	612,246
BBVA Bolsa Sociedad Agente de Bolsa S.A.	1,317	1,355
BBVA Asset Management S.A. SAF	6,976	6,716
BBVA Sociedad Titulizadora S.A.	647	386
Inmuebles y Recuperaciones BBVA S.A.	2,766	1,297
BBVA Consumer Finance Edpyme	1,713	5,674
Forum Comercializadora del Perú S.A.	-	-
Forum Distribuidora del Perú S.A.	1,392	2,533
	239,167	**630,207**

Tax expense comprises the following:

In thousands of soles	**2020**	**2019**
Current tax	514,636	672,261
Deferred tax		
Profit or loss of deferred income tax for the year	(260,525)	(68,985)
Income tax (adjustment/provision recovery)	(14,944)	26,931
	239,167	**630,207**

Temporary tax on net assets

D. The BBVA Peru Group is subject to the temporary tax on net assets, whose tax base is composed of the prior period adjusted net asset value less depreciations, amortizations, legal reserve requirements and specific provisions for credit risk. The tax rate is 0.4% for the years 2020 and 2019 and is applied to the amount of net assets exceeding S/ 1 million. It may be paid in cash or nine consecutive monthly installments. The paid amount may be used as a credit against income tax paid for tax periods from March to November of the taxable year in which the tax was paid until maturity date of each down payment, and against the payment for regularization of income tax of the relevant taxable year. In the event a remaining balance is not applied, its refund may be requested. Temporary tax on net assets for the year 2020 amounts to S/ 281 million thousand (S/ 258 million in 2019).

Tax on financial transactions

E. Financial transaction tax for the years 2020 and 2019 was fixed at the rate of 0.005%. This tax is applicable to debits and credits in bank accounts or movements in funds made through the financial system, unless the account is tax-exempt.

Transfer pricing

F. In determining income tax, transfer pricing with related parties and entities domiciled in territories with low or zero taxation shall be supported with documents and information on the valuation techniques and the criteria used for the pricing.

Legislative Decree 1312, published December 31, 2016 and effective January 1, 2017, established the following formal obligations to replace the former ones: (i) presentation of a Local File (if accrued revenue of the taxpayer exceeds 2,300 tax units [UIT, for its Spanish acronym]); (ii) presentation of a Master File (if accrued revenue of the taxpayer in a group exceeds 20,000 tax units); and (iii) presentation of a Country-by-Country Reporting (if accrued, consolidated revenue from the prior year of the taxpayer in a multinational group exceeds PEN 2,700 million or EUR 750 million). The presentation of the Master File and the Country-by-Country Reporting is mandatory for transactions from 2017 onwards.

Legislative Decree N° 1312 also established that intragroup services with low added value shall not have a margin greater than 5% of their costs. Concerning the services rendered between related parties, taxpayers shall comply with the benefit test and provide the documents and information under specific conditions for the deduction of costs or expenses.

Tax Authorities' Resolution N° 014-2018-SUNAT, published January 18, 2019, approved the Electronic Form 3560 for the presentation of the Local File, establishing the deadlines for its presentation and the content and format that shall be included therein.

Thus, the deadline for the presentation of the Local File for the taxable year 2020 shall be June 2021, in accordance with the maturity schedule agreed upon for May published by the Tax Authorities.

The content and format of the Local File are stated in the Appendixes I, II, III and IV of Tax Authorities' Resolution N° 014-2018-SUNAT.

Legislative Decree N° 1116 established that transfer pricing regulations are not applicable to sales tax.

Tax assessment

G. The Tax Authorities are entitled to audit and, if applicable, to correct the income tax calculated by the BBVA Peru Group within the 4 years following the year of the income tax return.

BBVA Peru Group's income tax returns that are open for review by the Tax Authorities are as follows:

Entities	Tax returns subject to audit
BBVA Bolsa Sociedad Agente de Bolsa S.A.	2015-2019
BBVA Asset Management Continental S.A. S.A.F.	2015-2019
BBVA Sociedad Titulizadora S.A.	2015-2019
Inmuebles y Recuperaciones BBVA S.A.	2015-2019
BBVA Consumer Finance Edpyme	2015-2019
Forum Comercializadora del Perú S.A.	2015-2019
Forum Distribuidora del Perú S.A.	2015-2019

The BBVA Peru Group's income tax returns for the years 2019 through 2018 and the one that shall be filed for 2020 are open for review by the Tax Authorities. As of the date of this report, the Tax Authorities are assessing the income tax for the period 2013 and will begin the income tax audit for the periods 2014 and 2015. The 2016 income tax review finished in April 2019 and 2013 income tax review finished in December 2020.

The BBVA Peru Group's income tax returns for the years 2018 through 2017 and the one that shall be filed for 2029 are open for review by the Tax Authorities. As of the date of this report, the Tax Authorities are assessing the income tax return for the period 2013 and will begin the income tax return audit for the periods 2014 and 2015. Income tax return review for the period 2016, ongoing as of December 31, 2018, was finished in April 2019.

In management's opinion, these tax proceedings and periods pending assessment will not generate significant liabilities that may impact the profit or loss of the companies from the BBVA Peru Group, in accordance with the IFRIC 23.

Due to the possible interpretations of the current laws by the Tax Authorities, it is not possible to determine, to date, whether a future tax assessment will result in liabilities for the BBVA Peru Group. Therefore, any major tax or surcharge that might arise from eventual tax assessments would be applied to profit or loss when they are recognized. However, it is the opinion of management and its legal advisors that any possible additional settlement of taxes would not be significant for the consolidated financial statements as of December 31, 2020 and 2019.

Tax regime applicable to sales tax (IGV)

H. Legislative Decree 1347, published January 7, 2017 and effective July 1, 2017, established the possible reduction of 1% in the sales tax, provided that the goal of annual sales tax collection as of May 31, 2017 is reached, net of internal refunds of 7.2% of Gross Domestic Product. Accordingly, if the aforementioned goal is met, the sales tax rate (including the municipal tax) shall be reduced from 18% to 17%.

However, the estimated collection goal was not met at the end of the term, so the sales tax rate shall be held at 18%.

Major amendments to tax laws effective for periods beginning on January 1, 2020

I. ***New accrual accounting concept:*** Legislative Decree1425 introduced the definition of "legal accrual" for income tax purposes, stating that: a) revenue from transfer of goods occurs when i) control has been transferred (under IFRS 15); or ii) risk has been transferred to the acquirer (Risk Theory set out in the Civil Code), whichever occurs first; and b) revenue from rendering the service occurs when realization level of the rendered service has been established.

The new legal accrual concept is applicable to lessees when determining the tax treatment of the expense associated with lease arrangements regulated by IFRS 16.

This concept shall not be applicable for those entities accruing income or expenses for income tax purposes in accordance with tax laws establishing a special (sector) accrual system.

J. ***Thin capitalization***: Beginning 2019 and until December 31, 2020, finance costs generated by debts of independent and related parties are subject to the thin capitalization limit of 3:1 debt-to-equity ratio, which is calculated at the end of the prior period From January 1, 2021, borrowing costs shall be deductible up to 30% of the tax-EBITDA (Net Income – Loss Compensation + Net Interest + Depreciation + Amortization) of the prior period. If there is any balance of financial expense that cannot be absorbed as an expense in a given year by application of the new thin capitalization rule applicable as of January 1 of 2021, it may be offset against the net income generated in the 4 subsequent fiscal years—i.e., 4-year carryforward—after which it will mature generating permanent differences. There are some exemptions regarding this 30% limit for banks, taxpayers whose income is lower than 2,500 tax units, infrastructure, public utilities, among others.

K. ***Deduction of expenses or costs incurred in transactions with non-domiciled individuals:*** Legislative Decree 1369 states that costs and/or expenses (including outbound interest) incurred with non-domiciled individuals shall be paid effectively to be deducted in the period they were incurred until before maturity date of the annual income tax return. Otherwise, their effect on the determination of net income shall be deducted in the period they are actually paid, and the relevant withholding shall be applied.

Such regulation abolished the obligation to pay the amount equivalent to the withholding on the amount recorded as cost and/or expense.

L. ***Indirect loans*:** From 2020, under certain requirements, domiciled entities receiving foreign inbound dividends may deduct as direct loan the income tax that taxed the foreign dividends and the corporate income tax (indirect loan) paid by the tier 1 and tier 2 non-domiciled entity (provided that they are in the same jurisdiction) that distributed the dividends from abroad.

M. ***Measures to implement the General Anti-avoidance Rule provided in the Regulation XVI of Tax Code:*** Legislative Decree 1422 sets up the procedure to implement the General Anti-avoidance Rule, mainly stating that: (i) it is applicable only in final audit procedures in which acts, events or situations that occurred since July 19, 2012 are reviewed; (ii) it is applicable only if there is a favorable opinion (unappealable) from a review committee composed of Tax Authorities' officers; and (iii) final audit procedures, in which the General Anti-avoidance Rule is applicable, are not subject to a 1-year term to request information from the audited parties.

As of the date of preparation of this report, the General Anti-avoidance Rule is fully effective and is applicable to Regulation XVI of Tax Code.

Supreme Decree 145-2019-EF dated May 6, 2019 and published on the official daily newspaper of Peru "El Peruano", approved all the formal and substantial parameters for the application of the General Anti-avoidance Rule provided in the Regulation XVI of Tax Code. Consequently, the requirement to end the suspension of the application for such rule, established by Law 30230, is deemed as complied with. Likewise, the Regulation on Tax Assessment has been modified for such purposes.

N. ***Information related to ultimate beneficiaries:*** In line with the regulations to strengthen the fight against tax evasion and avoidance, as well as against money laundering and terrorism financing, from August 3, 2018, provisions introduced by Legislative Decree 1372 are currently in force. The aforementioned Decree requires the presentation of information related to ultimate beneficiaries to the competent authorities through a sworn statement of the ultimate beneficiaries. Such statement shall disclose the names of the natural persons that effectively retain ownership or control. Thus, it is mandatory to report the following: (i) identification of the ultimate beneficiaries; (ii) chain of title with its respective supporting documents; and (iii) identification of third parties that have said information, if applicable. Also, it states that the information related to the identification of the ultimate beneficiaries of legal persons and legal entities provided to the competent authorities under these regulations neither violates professional secrecy nor is subject to restrictions on the disclosure of information arising from secrecy requirements under contracts or any regulatory provision.

Lastly, if the informative sworn statement with the information related to the ultimate beneficiaries is not presented, the legal representatives of the entity that failed to comply with the presentation of such statement shall assume the joint and several liability.

On December 16, 2019, the Bank submitted the informative sworn statement on the date established in the monthly maturity schedule.

O. ***Indirect transfer of shares:*** From January 1, 2019, an anti-avoidance measure is included to prevent the split of transactions, which allows indirect transfer of shares of entities domiciled in Peru.

In order to determine if a Peruvian entity has made a transfer within a 12-month period of 10% or more of capital, transfers of the analyzed entity and transfers to related parties shall be considered, whether transfers are made through one or several (simultaneous or successive) transactions. The relationship shall be set up in accordance with the provisions of section b) of Article 32-A of Income Tax Law.

Likewise, regardless of compliance with the provisions of the Income Tax Law, an indirect taxable transfer shall always be made when, over any 12-month period, the total amount of transferred shares of the Peruvian legal person is equal to or greater than 40,000 tax units.

Lastly, from January 1, 2019, when the transferor is a non-domiciled legal person that has a branch office or any permanent establishment in Peru with allocated equity, the latter is considered a jointly liable party. Thus, it is required to provide information, among others, regarding the transferred shares or interests of the non-domiciled legal person.

P. ***Joint and several liability of legal representatives and directors:*** From September 14, 2018, through Legislative Decree 1422, when an audited individual is subject to the General Anti-Avoidance Rule, there is joint and several liability of legal representatives due to fraud, gross negligence or misuse of powers, unless proven otherwise. The aforementioned joint and several liability shall be attributed to such representatives provided that they collaborated with the design or approval or execution of acts, situations or economic relationships with an avoidance purpose.

Such regulation also involves the members of the Board of Directors, since it is stated that these individuals are responsible for setting the tax strategy of the companies where they are directors. Thus, they are responsible for determining whether to approve the acts, situations or economic relationships carried out within the tax planning framework and finally, they shall not delegate such liability.

Lastly, members of the domiciled entities' Board of Directors were granted a term (until March 29, 2019) to verify or modify the acts, situations or economic relationships carried out within the tax planning framework and implemented from September 14, 2018 that are effective to date. For the years 2019 and 2020 onwards, we consider the Board of Directors is responsible for determining annually whether the BBVA Peru Group's activities have avoidance effects which may be regulated by the General Anti-Avoidance Rule and, consequently, be subject to tax regularization.

Considering the aforementioned joint and several liability attributable to legal representatives and directors, and the absence of a definition of "tax planning," it will be crucial to review any act, situation or economic relationship that has: (i) increased tax attributes; and/or (ii) generated a lower payment of taxes of such periods, in order to avoid the attribution of joint and several liability, both administratively and punitively, depending on the supervisory agent criterion. The latter, in case the entity to be audited by the Tax Authorities is subject to the General Anti-Avoidance Rule.

24. Deferred Income Tax

Deferred tax has been calculated applying the liability method, and is attributed to the following items:

In thousands of soles	Balance as of 01.01.2019	Equity additions (recoveries)	Profit or loss additions (recoveries) for the year	Balance as of 12.31.2019	Additions to (deductions from) equity	Additions (recoveries) to profit or loss	Others	Balance as of 12.31.2020
Assets								
Generic provision for direct loan losses	293,316	-	4,852	298,168	-	163,791	-	461,959
Generic provision for indirect loan losses	34,347	-	7,111	41,458	-	1,650	-	43,108
Provision for realizable assets and assets seized and recovered through legal actions	43,084	-	8,813	51,897	-	(3,447)	554	49,004
Specific provision for indirect loan losses	33,430	-	(2,412)	31,018	-	2,362	-	33,380
Other generic provisions	63,404	-	(1,991)	61,413	-	45,723		107,136
Labor provisions	69,872	2,624	14,341	86,837	(4,866)	16,654	-	98,625
Tax loss	-	-	13	13	-	(13)	-	-
Interest of non-performing loans	278	-	-	278	-	-	-	278
Investments available-for-sale	4,107	2,355	-	6,462	(162)	-	-	6,300
Cash flows hedges	2,131	(270)	-	1,861	-	-	-	1,861
Tax deduction of property, furniture and equipment	-	-	-	-	-	2,642	-	2,642
Valuation of hedge borrowings	-	-	1,101	1,101	-	24,006	-	25,107
Total assets	**543,969**	**4,709**	**31,828**	**580,506**	**(5,028)**	**253,368**	**554**	**829,400**
Liabilities								
Valuation of hedge borrowings	(37,282)	-	37,282	-	-	-	-	-
Cash flows hedges	-	-	-	-	(4,352)	-	-	(4,352)
Intangible assets / deferred charges	(108,313)	-	(10,644)	(118,957)	-	12,611	-	(106,346)
Valuation of derivative financial instruments	(7,843)	-	-	(7,843)	(5,512)	-	-	(13,355)
Tax deduction of property, furniture and equipment	-	-	(921)	(921)	-	-	-	(921)
Balancing of assets and liabilities due to exchange difference	(25,087)	-	11,441	(13,646)	-	(5,454)	-	(19,100)
Total liabilities	**(178,525)**	**-**	**37,158**	**(141,367)**	**(9,864)**	**7,157**	**-**	**(144,074)**
Deferred tax asset, net	**365,444**	**4,709**	**68,986**	**439,139**	**(14,892)**	**260,525**	**554**	**685,326**

25. Earnings per Share

The calculation of weighted average amount of shares and earnings per share as of December 31 is as follows:

In thousands of	Outstanding shares	Weighted average number of basic shares	Effective days to year-end	Weighted average number of ordinary shares
2020				
Balance as of January 1, 2020	5,885,209	5,885,209	365	5,885,209
Capitalization of 2019 profit or loss	643,960	643,960	365	643,960
Balance as of December 31, 2020	**6,529,169**	**6,529,169**		**6,529,169**
2019				
Balance as of January 1, 2019	5,368,602	5,368,602	365	5,368,602
Capitalization of 2018 profit or loss	516,607	516,607	365	516,607
Capitalization of 2019 profit or loss	643,960	643,960	365	643,960
Balance as of December 31, 2019	**6,529,169**	**6,529,169**		**6,529,169**

As of December 31, 2020 and 2019, earnings per share calculated on the base of the weighted average number of shares amounted to S/ 0.0993 and S/ 0.2464, respectively.

26. Related Party Transactions

As of December 31, 2020 and 2019, the consolidated financial statements include related party transactions, which, under IAS 24 and SBS regulations, comprise the Parent Company, related parties, associates, other related parties, and the Bank's directors and key management. All transactions with related parties are carry out under the available market conditions for unbound third parties.

(a) The balances of the BBVA Peru Group's consolidated statement of financial position arising from related parties as of December 31, were as follows:

	2020					2019				
In thousands of soles	**Controlling party**	**Related parties (*)**	**Associates**	**Key staff and directors**	**Total**	**Controlling party**	**Related parties (*)**	**Associates**	**Key staff and directors**	**Total**
Assets										
Cash and due from banks	207,721	-	-	-	207,721	126,460	-	-	-	126,460
Loan portfolio, net	-	353,554	32,824	29,146	415,524	-	520,561	11	28,970	549,542
Trading derivatives	322,397	80,325	-	-	402,722	282,154	793	-	-	282,947
Other assets, net	195,313	33,235	4,207	-	232,755	30,227	36,154	-	-	66,381
Total assets	**725,431**	**467,114**	**37,031**	**29,146**	**1,258,722**	**438,841**	**557,508**	**11**	**28,970**	**1,025,330**
Liabilities										
Obligations to the public and deposits from financial system entities	91,266	803,885	331	98,195	993,677	223,118	458,269	875	157,338	839,600
Borrowings and financial obligations	-	-	-	-	-	-	6,000	-	-	6,000
Trading derivatives	511,778	380	-	-	512,158	246,544	581	-	-	247,125
Provisions and other liabilities	25,981	15,808	35	25	41,849	44,902	9,613	-	21	54,536
Total liabilities	**629,025**	**820,073**	**366**	**98,220**	**1,547,684**	**514,564**	**474,463**	**875**	**157,359**	**1,147,261**
Off-balance sheet accounts										
Indirect loans	-	353,276	317	1,539	355,132	-	250,655	292	1,326	252,273
Derivative financial instruments	17,759,685	23,252	-	-	17,782,937	16,245,167	144,097	-	-	16,389,264

(i) Related parties include balances and transactions with other related parties in accordance with IAS 24 and SBS regulations.

(b) The effects of related party transactions in the BBVA Peru Group's consolidated statement of financial position are detailed below for the year ended December 31:

	2020					2019				
In thousands of soles	**Controlling party**	**Related parties (*)**	**Associates**	**Key staff and directors**	**Total**	**Controlling party**	**Related parties (*)**	**Associates**	**Key staff and directors**	**Total**
Interest income	-	1,215	-	122	1,337	-	1,640	-	132	1,772
Interest expense	-	(8,467)	-	(66)	(8,533)	-	(10,275)	-	(237)	(10,512)
	-	**(7,252)**	**-**	**56**	**(7,196)**	**-**	**(8,635)**	**-**	**(105)**	**(8,740)**
Income from financial services	1,937	1,991	-	41	3,969	-	413	-	5	418
Expenses from financial services	-	-	-	-	-	-	-	-	-	-
	1,937	**1,991**	**-**	**41**	**3,969**	**-**	**413**	**-**	**5**	**418**
Net profit or loss from financial operations	(8,003)	(1,984)	-	4	(9,983)	(3,257)	(6,543)	-	-	(9,800)
Administrative expenses	(28,048)	(75,436)	-	-	(103,484)	(18,217)	(80,155)	-	-	(98,372)
Other income and expenses, net	-	277	-	-	277	-	288	-	11	299
	(36,051)	**(77,143)**	**-**	**4**	**(113,190)**	**(21,474)**	**(86,410)**	**-**	**11**	**(107,873)**

(*) Related parties include balances and transactions with other related parties in accordance with IAS 24 and SBS regulations.

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

As of December 31, 2020 and 2019, Board of Directors, executives and employees of BBVA Peru Group hold allowed loan transactions pursuant to the Banking Law, which regulates and establishes certain limits to transactions with members of the Board of Directors, executives and employees of financial entities in Peru. As of December 31, 2020 and 2019, direct loans granted to employees, directors, executives and key personnel amount to S/ 496 million and S/ 472 million, respectively.

Likewise, as of December 31, 2020 and 2019, remuneration to key personnel and expenses allowance for the board of Director amounts to S/ 11 million, for both periods.

27. Trust Fund Activities

The Bank offers structuring and management services of trust operations and trust fees and oversees the preparation of agreements related to these operations. Assets held in trust are not included in the consolidated financial statements. The Bank is responsible for the appropriate management of these trusts based on the limits established by applicable laws and the respective agreement. As of December 31, 2020, the allocated value of assets in trusts and trust fees amounts to S/ 15,199 thousand (S/ 12,591 million as of December 31, 2019).

28. Classification of Financial Instruments

BBVA Peru Group classifies its financial assets and financial liabilities into categories as described in note 3. As of December 31, financial assets and financial liabilities are classified as follows:

	At fair value through profit or loss			Available-for-sale		
In thousands of soles	**Held for trading**	**Designated at inception**	**Loans and accounts receivable**	**At amortized cost**	**At fair value**	**Hedging instruments**
Assets						
Cash and due from banks	-	-	24,954,267	-	-	-
Interbank funds	-	-	137,599	-	-	-
Investments	4,722,272	-	-	1,122	6,697,946	-
Equity instruments	43,216	-	-	1,122	29,232	-
Debt instruments	4,679,056	-	-	-	6,668,714	-
Loan portfolio, net	-	-	66,593,761	-	-	-
Trading derivatives	898,595	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	103,354
Accounts receivable	-	-	44,614	-	-	-
Other assets	-	-	889,508	-	-	-
	5,620,867	**-**	**92,619,749**	**1,122**	**6,697,946**	**103,354**

	At fair value through profit or loss				
In thousands of soles	**Held for trading**	**Designated at inception**	**At amortized cost**	**Other liabilities**	**Hedging instruments**
Liabilities					
Obligations to the public	-	-	70,812,534	-	-
Interbank funds	-	-	72,421	-	-
Deposits from financial system entities	-	-	1,400,063	-	-
Borrowings and financial obligations	-	-	7,053,718	-	-
Trading derivatives	876,395	-	-	-	-
Hedging derivatives	-	-	-	-	14,633
Accounts payable	-	-	16,006,719	25,057	-
	876,395	**-**	**95,345,455**	**25,057**	**14,633**

	2019					
	At fair value through profit or loss		Loans and accounts receivable	Available-for-sale		Hedging instruments
In thousands of soles	Held for trading	Designated at inception		At amortized cost	At fair value	
Assets						
Cash and due from banks	-	-	14,816,709	-	-	-
Interbank funds	-	-	150,137	-	-	-
Investments						
Equity instruments	26,331	-	-	1,881	26,947	-
Debt instruments	2,669,123	-	-	-	3,915,562	-
Loan portfolio, net	-	-	56,398,279	-	-	-
Trading derivatives	567,686	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	4,611
Accounts receivable	-	-	41,933	-	-	-
Other assets	-	-	1,209,497	-	-	-
	3,263,140	**-**	**72,616,555**	**1,881**	**3,942,509**	**4,611**

	2019				
	At fair value through profit or loss				
In thousands of soles	Held for trading	Designated at inception	At amortized cost	Other liabilities	Hedging instruments
Liabilities					
Obligations to the public	-	-	54,659,978	-	-
Interbank funds	-	-	150,016	-	-
Deposits from financial system entities	-	-	1,499,305	-	-
Borrowings and financial obligations	-	-	9,678,796	-	-
Trading derivatives	490,934	-	-	-	-
Hedging derivatives	-	-	-	-	19,777
Accounts payable	-	-	4,189,238	24,582	-
	490,934	**-**	**70,177,333**	**24,582**	**19,777**

29. Financial Risk Management

Financial risk management is fundamental on the Bank's strategy, since it guarantees its creditworthiness and sustainable development. The Bank's risk profile has been established in accordance with the strategy and policies of the BBVA Group, and considers a unique, independent and global risk management model.

- Unique: Focused on a sole objective. Risk appetite supported in fundamental metrics, limits for portfolios and economic sectors, and indicators for the management and monitoring of portfolios, is determined.

- Independent: It is independent and complementary to the business. The process of adapting the risk area allows to closely monitor the business and thus detect opportunities.

- Global: BBVA Peru Group has a flexible risk model that can be used for all risk, in all countries and for all business.

For effective management with a comprehensive vision, the risk area of the BBVA Peru Group is structured by type of risk: admission of retail and wholesale risks, monitoring, collections and recoveries, structural, market and fiduciary risks, control, validation, reporting and regulation; and with the aim of seeking synergies and greater integration of the processes that range from strategy, planning, to the implementation of management models and tools, the Risk Solution team consolidates cross-cutting functions that support management.

This year, due to the country's situation for the COVID-19 outbreak, risk management has been focused on the crisis management from all fronts:

- Portfolio management under the guidelines defined by the SBS and the Government, adaptation of management and monitoring reports according to the new needs of the situation.

- Permanent follow up and monitoring of the liquidity risks.

- From the wholesale and retail Admission, permanent review and adjustment of the admission policies, rescheduling modalities carrying out the portfolio diagnosis, segmentation and action plans according to the criticality identified.

- The follow up and management of collection has had a preventive and anticipatory approach, which is oriented to the most vulnerable and affected sectors. Specialized teams have been implemented to manage the collections by implementing differentiated strategies according to the portfolio. Therefore, a good containment level of the rescheduled portfolio has been achieved.

Under the non-financial risk management, control of the measures and decisions are taken in order to mitigate operational risks.

Credit risk

The Bank's risk management system is based on a corporate governance scheme in which the BBVA Peru Group determines the policies for managing and controlling the risk of retail and wholesale loans, which are adapted to local regulations and reality.

The structure of the risk area for credit risk management is as follows:

- *Portfolio Management, Data & Reporting*: Manages credit risk by monitoring the defined risk appetite, preparing metrics and reports to evaluate the policy setting throughout the business cycle, from admission, follow-up to recovery, with the objective of monitoring the credit quality of the portfolio and ensure sustained profitability in line with capital consumption. In addition, it is responsible for the development and monitoring of the credit risk models that are used in risk management by the BBVA Peru Group.

- *Risk Internal Control*: It is the control unit for risk activities. Specifically, and independently, it performs the contrast and control of the regulations and the governance structure in matters of financial risks and their application and operation in risks, as well as the contrast of the development and execution of the management and control processes of financial risks. Likewise, it is responsible for the validity of the risk models.

- *Risk Solution*: It manages the portfolio of projects in the Risk area. It ensures its definition, prioritization, execution and startup.

- *Risk Transformation*: It is the team responsible for ensuring the execution and continuous improvement of the dependent processes, complying with the defined and committed quality and productivity standards. As part of the process organization, it must seek efficiency and synergy between the services involved.

- *Retail Loan*: It manages the credit risk in the admission stage for natural persons and banking business (small and medium business). For natural persons, the admission is carried out through tools that assess the customer profile, its ability to meet its debt obligation and its credit history in the Bank and the financial system. For banking business, the admission main analysis is the financial-economic information obtained from field-visits that allow dimensioning the business and the debtor's payment capacity, through the use of specific methodologies by economic activity, as well as tools that assess the behavioral profile of the businesses.

  For the loan origination of both people and businesses, massive evaluation is carried out through campaigns and specific tactical actions in accordance with the growth strategy of the BBVA Peru Group, as well as the management of portfolios.

- *Wholesale Loan*: It manages credit risk in the business segments of the Retail Network, Business Banking, Institutions, Global Customers, Intermediary Financial Institutions and the Real Estate Sector, integrating the phases of origination, admission and follow-up, in accordance with the guidelines defined in the Wholesale Credit Risk Policy.

  In 2020, management by controlling asset allocation limits, threshold concentration and suggested sector profiles have been essential to monitor risk appetite on a permanent basis.

  On the other hand, the Portfolio Management team focused their work on the diagnosis and assessment of the crisis impacts on the different portfolios and the implementation of measures in management policies acting in advance.

  Rating, risk analyst and credit-reporting are important support tools for the decision making. Likewise, the Authorized Financing Program and the Digital Financing Program, used in Business and Corporate Banking segments, respectively, continued as digital platforms for the preparation and analysis of credit proposals.

- *Collection, Mitigation & Workout*: It groups together the functions and processes necessary for the monitoring, non-payment containment, collection, recoveries and the divestment of the portfolio with problems, both from retail and wholesale banking, achieving crossway efficiencies in the processes, as well as in the external management channels (collection agencies, calls, and law firms) and internal (network of offices).

The portfolio with problems is managed through a centralized strategy that defines the refinancing policy, payment agreements with customers and repossessed assets, which aim to reduce the provision expense and default levels. The previously by differentiating each of the segments and stages of the credit life cycle.

Since 2018, the Bank has been executing the Collection Integral Plan, which is a transformation project that involves process improvement, data management, remediable products, customer's experience and IT platform, among the most important, which execution continues in 2020.

Considering the health crisis scenario, management focus on sensitive and vulnerable sectors, as well as management on the highest value reprogrammed and refinanced groups, was key to controlling deterioration during 2020.

As part of this plan, in 2020, the write-offs operation was implemented in the portfolios; the Key Performance Indicator and Key Risk Indicator collection and recovery dashboards were strengthened, new tenders were executed in external collection channels and legal studies, the Level Services Agreements and the performance supervision of the providers. As part of the new management impulses, the BEC and Retail Solution Office was launched, which allowed a scheme closer to the portfolio with problems, and an improvement in the levels of containment.

Financing risk management in the COVID-19 context:

- ***Anticipate Plan:*** 4 executives and a risk leader were selected for the exclusive attention of 255 customers who, in coordination with the branch network, were the ones that presented the greatest warnings in 2020. The objective of the team was to carry out the diagnosis and coordination with the admission team for readjust through rescheduling or with the Stage 3 team for timely refinancing.

- ***Solution plan:*** The executives of the commercial network (more than 180 executives) carried out the plan, with a role exclusively to the recovery activity. This team is led by 13 monitoring heads whose objective is the location of the main customers, diagnosis and redirection of operations through rescheduling or refinancing.

  The retail portfolio segmentation was carried out considering the impact and materiality matrices (Debt ranges) for the private and SME portfolio. In addition, collection management differs whether the portfolio was rescheduled or not.

  The impact level on the SME portfolio took as the main axis economic activity according to the company's business line, which were classified as Winning, Sensitive, Critical and Very critical, with Winning activities being those that were benefited by this COVID juncture.

- ***Collection plan:*** The implant model was developed, which is a supervision model based on the physical presence of a Bank supervisor at the provider's physical facilities in order to maximize the performance of the collection processes and guarantee the execution of the strategies and tactical actions and even those of human resources. Currently, due to the situation, the physical presence was replaced with the virtual scheme; however, 100% of the supervisor's dedication was maintained exclusively to the assigned provider.

A competition was held between the six external collection companies that manage the Bank's retail portfolio to choose only three strategic allies for the year 2021 and, therefore, the collection team was restructured into 6 implant supervisors to monitor the three external companies for both portfolio segments (Individuals and SMEs). In addition, two professionals from other areas were incorporated to support the disbursements of the Refinances (coordination and registration), preventive management tastings, support in the supervision of external companies while the implant model was being developed and monitoring of the collection pilots.

Maximum exposure to credit risk
As of December 31, this caption comprises the following:

In thousands of soles	**2020**	**2019**
Cash and due from banks	24,954,267	14,816,709
Interbank funds	137,599	150,137
Investments at fair value through profit or loss	4,722,272	2,695,454
Investments available-for-sale	6,699,068	3,944,390
Loan portfolio, net	66,593,761	56,398,279
Trading derivatives	898,595	567,686
Hedging derivatives	103,354	4,611
Accounts receivable	44,613	41,933
Other assets	889,508	1,209,497
	105,043,037	**79,828,696**

Received guarantees
The requirement of guarantees may be a necessary instrument, but not sufficient for granting credits; their acceptance is supplementary to the credit process that requires the previous verification of the debtor's payment capacity or whether this debtor is able to generate sufficient resources to allow the amortization of the risk assumed under the terms agreed.

The procedures for the management and valuation of guarantees received for loans granted to customers as indicated in the Guarantees Policies, cover the guarantee acceptance policies and the basic principles for setting, maintenance and release. All guarantees assigned are to be properly instrumented and recorded in the corresponding register, monitoring they are currently updated and have the corresponding insurance policies, in strict compliance with the rules laid down by the regulatory body.

The valuation of guarantees is governed by prudence principles, involving appraisals for mortgages, market price for listed securities, value of interest in an investment fund, among others. These principles establish internal milestones that may be stricter than those contained in local regulations, and under which the value of guarantees is updated.

In thousands of soles	**2020**	**%**	**2019**	**%**
Mortgages	22,639,889	32	22,288,636	38
Guarantees and letters of guarantee received	11,925,213	17	613,827	1
Finance lease	3,772,204	5	4,212,785	7
Self liquidating guarantees	512,970	1	373,483	1
Vehicle, industrial, agricultural pledges and others	39,805	-	62,206	-
Rest of guarantees	15,855,613	23	13,734,788	23
Guaranteed loans	**54,745,694**	**78**	**41,285,725**	**70**
Non guaranteed loans	**15,829,880**	**22**	**17,720,027**	**30**
Total	**70,575,574**	**100**	**59,005,752**	**100**

Credit quality of the loan portfolio

The segmentation of the loan portfolio into "Not past due or impaired", "Past due but not impaired" and "Impaired" is presented as follows:

	As of December 31, 2020						As of December 31, 2019					
In thousands of soles	**Wholesale loans**	**Small and micro-business loans**	**Consumer loans**	**Mortgage loans**	**Total**		**Wholesale loans**	**Small and micro-business loans**	**Consumer loans**	**Mortgage loans**	**Total**	
Neither past due nor impaired loans	**43,541,037**	**3,358,907**	**6,212,063**	**12,669,372**	**65,781,379**	**100**	**34,787,681**	**1,695,694**	**6,164,737**	**12,626,590**	**55,274,702**	**99**
Standard	42,201,346	3,329,026	6,096,584	12,499,191	64,126,147	97	34,242,297	1,662,230	6,049,531	12,449,842	54,403,900	97
With potential problems	1,339,691	29,881	115,479	170,181	1,655,232	3	545,384	33,464	115,206	176,748	870,802	2
Substandard	-	-	-	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-	-	-	-
Non past-due nor impaired loans	**25,892**	**948**	**67**	**841**	**27,748**	**-**	**39,561**	**1**	**15**	**444**	**40,021**	**-**
Standard	11,908	865	67	3	12,843	-	11,608	1	15	3	11,627	-
With potential problems	13,984	83	-	838	14,905	-	27,953	-	-	441	28,394	-
Substandard	-	-	-	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-	-	-	-
Impaired loans	**2,936,472**	**229,489**	**709,700**	**890,786**	**4,766,447**	**7**	**2,333,877**	**164,583**	**435,339**	**757,230**	**3,691,029**	**7**
Standard	7,275	-	-	-	7,275	-	29,138	28	1	-	29,167	-
With potential problems	494,254	91	8	-	494,353	1	274,266	101	8	-	274,375	-
Substandard	730,439	32,456	109,414	230,788	1,103,097	2	587,792	22,196	95,693	242,039	947,720	2
Doubtful	311,224	54,866	270,095	262,335	898,520	1	465,771	39,416	182,749	199,352	887,288	2
Loss	1,393,280	142,076	330,183	397,663	2,263,202	3	976,910	102,842	156,888	315,839	1,552,479	3
Gross loan portfolio	**46,503,401**	**3,589,344**	**6,921,830**	**13,560,999**	**70,575,574**	**107**	**37,161,119**	**1,860,278**	**6,600,091**	**13,384,264**	**59,005,752**	**106**
Less: Provisions	(2,615,468)	(203,778)	(908,956)	(690,901)	(4,419,103)	(7)	(1,857,527)	(140,362)	(407,568)	(501,552)	(2,907,009)	(6)
Net portfolio	**43,887,933**	**3,385,566**	**6,012,874**	**12,870,098**	**66,156,471**	**100**	**35,303,592**	**1,719,916**	**6,192,523**	**12,882,712**	**56,098,743**	**100**

Criteria used to determine if a credit is impaired is the following:

Type of debtor	Impairment criteria
Retail	Loans past due over 90 days. Debtor is rated as deficient, doubtful or loss.
Wholesome	Debtor is rated as deficient, doubtful or loss. Refinanced or restructured loans.

The specific provisions related to the transactions that, as of December 31, 2020, have been classified as 'past due but not impaired' loans and 'impaired' loans amount to S/ 2,699 million (S/ 1,844 million as of December 31, 2019).

In 2020 and 2019, the transactions with clients that, during these periods, were classified as 'past due but not impaired' loans and 'impaired' loans resulted in finance income of S/ 121 million and S/ 146 million, respectively.

As of December 31, 2020 and 2019, the guarantees of past due and non-impaired loans and impaired loans amount to S/ 2,085 million and S/ 2,255 million, respectively, of which S/ 1,963 million and S/ 2,119 million correspond to mortgages.

The ‘past due but not impaired’ loans as of December 31, 2020 and 2019 amount to S/ 28 million and S/ 40 million, respectively. Find below a breakdown of those credits listed per past-due date:

	2020				2019			
In thousands of soles	**16- 30**	**31- 60**	**61 - 90**	**Total**	**16- 30**	**31- 60**	**61 - 90**	**Total**
Days in arrears								
Types of credit								
Large-business loans	1,244	-	24	1,268	2,447	2,558	4,392	9,397
Medium-business loans	8,728	9,849	6,047	24,624	16,359	11,356	2,449	30,164
	9,972	**9,849**	**6,071**	**25,892**	**18,806**	**13,914**	**6,841**	**39,561**
Small-business loans	-	948	-	948	-	-	1	1
Consumer loans	-	1	66	67	-	10	5	15
Mortgage loans	-	841	-	841	-	444	-	444
	-	**1,790**	**66**	**1,856**	**-**	**454**	**6**	**460**
Total	**9,972**	**11,639**	**6,137**	**27,748**	**18,806**	**14,368**	**6,847**	**40,021**

Risk concentrations

The loan portfolio is distributed in the following economic sectors:

In thousands of soles	**2020**		**2019**	
Mortgage and consumer loans	20,482,829	30%	20,343,298	35%
Commerce	14,370,278	20%	9,866,544	17%
Manufacturing	10,042,657	14%	8,836,261	15%
Real estate, business and leasing	5,962,891	8%	4,713,457	8%
Transport, storage and communications	5,707,309	8%	3,700,744	6%
Agriculture and livestock	2,308,038	3%	1,815,548	3%
Mining	2,007,550	3%	1,604,248	3%
Construction	1,417,140	2%	898,794	2%
Power, gas and water	1,392,419	2%	1,020,874	2%
Financial intermediation	1,232,140	2%	1,801,589	3%
Others	5,652,323	8%	4,404,395	6%
	70,575,574	**100%**	**59,005,752**	**100%**

As of December 31, financial assets are distributed among the following geographic areas:

	2020					
	At fair value through profit or loss		Loans and			
In thousands of soles	Held for trading	Designated at inception	accounts receivable	Available for sale	Hedging instruments	Total
Financial instruments						
Peru	5,151,233	-	70,575,511	4,593,849	-	80,320,593
Rest of South America	-	-	157,325	980	-	158,305
Rest of the world	322,533	-	16,566	74,117	-	413,216
Mexico	-	-	2,212	-	-	2,212
United States	-	-	19,952	1,963,500	-	1,983,452
Europe	155,338	-	10,468	72,975	103,354	342,135
	5,629,104	**-**	**70,782,034**	**6,705,421**	**103,354**	**83,219,913**
Provisions	(8,237)	-	(4,580,948)	(6,353)	-	(4,595,538)
Accrued returns on current loans (note 7)	-	-	539,844	-	-	539,844
Deferred interest	-	-	(102,554)	-	-	(102,554)
	5,620,867	**-**	**66,638,376**	**6,699,068**	**103,354**	**79,061,665**

	2019					
	At fair value through profit or loss		Loans and			
In thousands of soles	Held for trading	Designated at inception	accounts receivable	Available for sale	Hedging instruments	Total
Financial instruments						
Peru	2,915,867	-	59,103,937	3,446,719	1,448	65,467,971
Rest of South America	-	-	28,135	980	-	29,115
Rest of the world	348,722	-	14,502	-	-	363,224
Mexico	793	-	1,996	-	-	2,789
United States	-	-	18,485	496,661	-	515,146
Europe	5,298	-	10,557	30	3,163	19,048
	3,270,680	**-**	**59,177,612**	**3,944,390**	**4,611**	**66,397,293**
Provisions	(7,540)	-	(3,036,937)	-	-	(3,044,477)
Accrued returns on current loans (note 7)	-	-	362,568	-	-	362,568
Deferred interest	-	-	(63,032)	-	-	(63,032)
	3,263,140	**-**	**56,440,211**	**3,944,390**	**4,611**	**63,652,352**

Market risk

Market risk arises as a consequence of the activity maintained in the markets, through financial instruments whose value may be affected by variations in market conditions, reflected in changes in the different assets and financial risk factors. The risk can be mitigated and even eliminated through hedging (assets/liabilities or derivatives), or by undoing the open operation or position.

The main risks factors affecting market price are: interest rate, currency and price risks.

- Interest rate risk It arises as a consequence of variations in the provisional structure of market interest rates, for the different currency.

- Currency risk: It arises due to fluctuations in the exchange rates for the different currencies.

- Price risk: It arises as a consequence of changes in the market price, either for the specific instruments' factors, nor for factors affecting all the instruments trades in the market.

In addition, and for certain positions, it is necessary to also consider other risks: spread, base, volatility or correlation risk.

Value at risk (VaR) is the basic variable to measure and control the Bank's market risk. This risk measure estimates the maximum loss, with a given level of confidence, that can occur in the market positions of a portfolio for a certain time horizon. The Bank calculates the VaR using the historical method with a confidence level of 99% and a time horizon of one day; the data period considered is two years.

The structure of market risk limits determines a scheme of VaR and economic capital limits for market risk, as well as alerts and specific ad-hoc sub-limits for types of risk, among others.

Likewise, validity tests are carried out on the risk measurement models used, which estimate the maximum loss that can occur in the positions considered, with a certain level of probability ("back testing"), as well as measurements of the impact of extreme movements market in the risk positions maintained ("stress testing"). Currently, the stress analysis on historical scenarios of the Lehman Brothers crisis (2008) is being carried out.

The detail of the VaR for risk factors was as follows:

In thousands of soles	**2020**	**2019**
VaR per risk factors		
VaR without smoothing	7,957	6,607
VaR interest rate	8,068	6,381
VaR currency	481	1,912
Average VaR	8,411	7,215
Maximum VaR	12,387	13,669
Minimum VaR	5,803	3,799

Structural interest rate risk
The objective of managing the banking book interest risk is to maintain the Bank's exposure to variations in market interest rates at levels consistent with its strategy and risk profile. To this end, the Assets and Liabilities Committee (hereinafter COAP) conducts active management of the banking book through operations to optimize the level of risk assumed, in relation to the expected results, and allow compliance with the maximum levels of tolerable risk.

The activity performed by the COAP is based on the interest risk measurements conducted by the risks area. Which, acting as an independent unit, periodically quantifies the impact the variation in interest rates has on the interest margin and the economic value of the BBVA Peru Group.

In addition to the sensitivity measurements to different variations in market rates, the BBVA Peru Group develops probabilistic calculations that determine the “economic capital” (maximum loss in economic value) and the “margin at risk” (maximum loss in the interest margin) due to structural interest risk of the Bank's banking activity, excluding treasury activity, based on interest rate curve simulation models. Stress testing is conducted periodically to complete the evaluation of the Bank's interest risk profile.

All these risk measures are subject to subsequent analysis and monitoring, and the levels of risk assumed and the degree of compliance with the authorized limits are transferred to the different management and administration departments of the BBVA Peru Group.

The consumption of the structural interest risk levels of the BBVA Peru Group during the years 2020 and 2019 are presented as follows:

2020		December 2020	November 2020	October 2020	September 2020	August 2020	July 2020	June 2020	May 2020	April 2020	March 2020	February 2020	January 2020
Limit consumption													
Sensitivity in profit margin	7%	4.3%	4.5%	4.8%	5.1%	3.7%	3.2%	2.9%	3.5%	3.8%	3.9%	4.6%	4.6%
Alert consumption													
Economic value sensitivity	1,200	452	483	480	454	535	498	572	597	565	565	625	635
Economic capital	1,200	533	569	579	589	680	626	608	620	621	667	709	729
Margin at risk	7%	1.9%	1.9%	2.0%	2.1%	1.8%	1.7%	1.3%	1.4%	1.3%	1.4%	1.8%	1.8%

2019		December 2019	November 2019	October 2019	September 2019	August 2019	July 2019	June 2019	May 2019	April 2019	March 2019	February 2019	January 2019
Limit consumption													
Sensitivity in profit margin	7%	4.8%	5.0%	5.3%	4.8%	4.4%	4.8%	4.6%	4.5%	4.5%	4.7%	4.7%	4.6%
Alert consumption													
Economic value sensitivity	1,000	630	645	651	645	657	624	597	595	851	898	847	381
Economic capital	1,100	733	751	759	757	767	751	923	868	873	947	887	903
Margin at risk	7%	1.8%	1.9%	1.9%	1.9%	1.8%	1.8%	1.8%	1.7%	1.9%	2.0%	1.9%	2.0%

In the measurement process, the BBVA Peru Group has established hypotheses on the evolution and behavior of certain items, such as those relating to products without explicit or contractual expiration. These hypotheses are based on studies that approach the relationship between the interest rates of these products and those of the market, and that allow the disaggregation of the specific balances into trend balances, with a long-term permanence degree, and seasonal or volatile balances, with a short-term residual maturity.

Liquidity risk
The control, monitoring and management of liquidity risk aims, in the short term, to ensure compliance with the Bank's payment commitments in a timely manner, without resorting to obtaining funds under unfavorable conditions, or deteriorating the image and reputation of the BBVA Peru Group. In the medium term, its objective is to ensure the suitability of the financial structure and its evolution, in the context of the economic situation, the markets and regulatory changes.

The management of liquidity and structural financing in the Bank are based on the principle of financial autonomy of the BBVA Peru Group. This management approach contributes to prevent and limit liquidity risk by reducing the Bank's vulnerability in periods of high risk.

The management and monitoring of liquidity risk is carried out comprehensively with a dual approach: short-term and long-term. The short-term liquidity approach, with a time horizon of up to one year, is focused on managing payments and collections from market activities, volatile customer resources and the potential liquidity needs of the Bank as a whole. The second approach, medium-term or financing, is focused on the financial management of the set of assets and liabilities, focusing on the financing structure, and having a time horizon equal to or greater than the annual one.

The integral management of liquidity is carried out by COAP, where the Financial Management Unit of the Finance area analyzes the implications, in terms of financing and liquidity of the various Bank projects and their compatibility with the structure of target financing and the situation of financial markets. In this sense, the Financial Management Unit, in accordance with the approved budgets, executes the agreed proposals by the COAP and manages liquidity risk in accordance with wide scheme of limits, sub-limits and approved warnings on which the risk area carries out, independently, its measurement and control work, providing the manager with support tools and metrics for decision-making.

The periodic measurements of the risk incurred and the monitoring of the consumption of limits are carried out by the Structural, Markets and Fiduciary Risks Unit, which monthly reports the liquidity risks level to the COAP; as well as more frequently to the management units. It should be noted that during the beginning of the state of emergency due to the COVID19 pandemic, the structural risks unit increased the measurement frequency of the main liquidity indicators in order to carry out a daily monitoring that allows anticipating any contingency and supporting the management areas.

Moreover, the Basel Committee on Banking Supervision (BCBS) has proposed a new liquidity regulation scheme based on two ratios: Liquidity coverage ratio (LCR) which is effective from 2015 and net stable funding ratio (NSFR) which has been implemented since 2018. The Bank and the BBVA Peru Group participated in the quantitative impact study (QIS), which has included the new regulatory challenges in its new general framework of action in the liquidity and financing area. At local level, the SBS has also implemented the monitoring of the liquidity coverage ratio, following the general guidelines of the BCBS, although adapting it to the Peruvian reality. The measurement of liquidity coverage ratio has started on December 2013 and its measurement have a daily frequency. The limit established for liquidity coverage ratio is 80% for the period from 2014 to 2017, 90% for 2018 and 100% for 2019 henceforth, which is being complied.

Since March 2020, the SBS has established the temporary inapplicability of the liquidity coverage ratios in local and foreign currency. However, the structural risks unit has continued with the daily measurement of the liquidity coverage ratios on a timely basis.

Repurchase agreement established by the Official Letter 022-2015-BCRP, and repurchase agreement with BCRP of Legislative Decree 1508, which created the Government guarantee program, are considered sources of financing available to be included in the Bank's contingency liquidity plan. To this effect, the SBS requires that the framework agreement be signed with COFIDE and the portfolio that could be used for these operations be identified.

The distribution by terms of assets and liabilities as of December 31, 2020 and 2019, is presented as follows, which, in the case of the loan and deposit portfolio, includes their respective accrued returns:

In thousands of soles	Up to 1 month	From 1-3 months	From 3-6 months	From 6-12 months	From1–5 years	More than 5 years	Past-due and judicial collection loans	Non-contractual maturity	Total
2020									
Assets									
Cash and due from banks	19,162,024	1,263,307	793,377	243,696	3,491,863	-	-	-	24,954,267
Interbank funds	137,599	-	-	-	-	-	-	-	137,599
Investments at fair value through profit or loss	4,679,056	-	-	-	-	-	-	43,216	4,722,272
Investments available-for-sale	5,746,998	187,460	75,352	51,596	335,071	302,591	-	-	6,699,068
Loan portfolio, net	5,970,613	6,351,096	4,507,113	6,584,206	30,190,702	10,704,669	2,285,362	-	66,593,761
Trading derivatives	93,939	62,911	47,726	22,369	288,069	383,581	-	-	898,595
Hedging derivatives	-	-	-	-	103,354	-	-	-	103,354
	35,790,229	**7,864,774**	**5,423,568**	**6,901,867**	**34,409,059**	**11,390,841**	**2,285,362**	**43,216**	**104,108,916**
Liabilities									
Obligations to the public	10,503,851	8,000,059	2,186,005	3,078,306	47,044,313	-	-	-	70,812,534
Demand deposits	4,613,896	3,378,292	-	-	21,786,440	-	-	-	29,778,628
Savings	2,172,598	1,495,035	-	-	21,044,166	-	-	-	24,711,799
Term	3,642,526	3,126,732	2,186,005	3,078,306	4,213,707	-	-	-	16,247,276
Others	74,831	-	-	-	-	-	-	-	74,831
Interbank funds	72,421	-	-	-	-	-	-	-	72,421
Deposits from financial system entities	530,432	454,819	34,206	234,179	146,427	-	-	-	1,400,063
Borrowings and financial obligations	26,675	180,431	778,489	324,592	3,604,598	2,138,933	-	-	7,053,718
Trading derivatives	108,096	107,034	69,850	34,589	247,926	308,900	-	-	876,395
Hedging derivatives	-	-	6,758	1,382	6,493	-	-	-	14,633
Accounts payable	829,267	830,000	553,100	-	13,819,408	-	-	-	16,031,775
Other liabilities	820,808	-	-	-	-	-	-	-	820,808
	12,891,550	**9,572,343**	**3,628,408**	**3,673,048**	**64,869,165**	**2,447,833**	**-**	**-**	**97,082,347**

In thousands of soles	Up to 1 month	From 1-3 months	From 3-6 months	From 6-12 months	From 1–5 years	More than 5 years	Past-due and judicial collection loans	Non-contractual maturity	Total
2019									
Assets									
Cash and due from banks	7,541,462	1,527,000	1,363,901	627,710	3,756,636	-	-	-	14,816,709
Interbank funds	150,137	-	-	-	-	-	-	-	150,137
Investments at fair value through profit or loss	1,686,055	201,992	376,990	404,086	-	-	-	26,331	2,695,454
Investments available-for-sale	3,070,209	200,171	592	55,284	145,221	472,913	-	-	3,944,390
Loan portfolio, net	8,622,381	8,154,915	5,461,885	6,642,202	16,188,253	9,553,296	1,775,347	-	56,398,279
Trading derivatives	159,133	49,071	29,343	33,782	135,190	161,167	-	-	567,686
Hedging derivatives	-	-	4,477	-	134	-	-	-	4,611
	21,229,377	**10,133,149**	**7,237,188**	**7,763,064**	**20,225,434**	**10,187,376**	**1,775,347**	**26,331**	**78,577,266**
Liabilities									
Obligations to the public									
Demand deposits	2,354,538	1,724,509	-	-	14,325,238	-	-	-	18,404,285
Savings	1,296,508	949,552	-	-	14,993,024	-	-	-	17,239,084
Term	4,723,826	3,164,942	2,143,447	4,997,749	3,883,102	-	-	-	18,913,066
Others	103,543	-	-	-	-	-	-	-	103,543
Interbank funds	150,016	-	-	-	-	-	-	-	150,016
Deposits from financial system entities	395,280	464,044	215,260	338,084	86,637	-	-	-	1,499,305
Borrowings and financial obligations	915,484	69,629	29,260	2,119,658	3,915,357	2,629,408	-	-	9,678,796
Trading derivatives	142,991	59,460	46,277	29,113	105,019	108,074	-	-	490,934
Hedging derivatives	-	-	1,783	-	13,875	4,119	-	-	19,777
Accounts payable	1,641,221	966,000	1,506,599	100,000	-	-	-	-	4,213,820
Other liabilities	1,122,036	-	-	-	-	-	-	-	1,122,036
	12,845,443	**7,398,136**	**3,942,626**	**7,584,604**	**37,322,252**	**2,741,601**	**-**	**-**	**71,834,662**

Operational Risk
The BBVA Peru Group articulates an operational risk management model implemented throughout the organization, based on methodologies and procedures for the identification, assessing and monitoring of operational risk, and supported by tools that allow qualitative and quantitative management.

This model is based on a decentralized management of operational risk carried out by operational risk management teams in the two lines of defense. In the first line we have the Risk Control Assurer whose objective is to promote the adequate management of operational risk in their respective management areas. The previous by extending the methodology of risk identification and establishment of controls and working for this with the owners of the processes who are those responsible for implementing mitigation plans and execution of controls. In the second line of defense, there is a Risk Control Specialist team who define mitigation and control frameworks in their area of specialty (across the entire organization) and contrast with the one implemented by the first line.

Both control teams are in constant coordination of a methodological unit and constantly report to the corresponding Internal Control and Operational Risk Committees. From the risk area, the non-financial risk unit is in charge of coordinating the Internal Control and Operational Risk Committees, the implementation of corporate management tools, the training of both control teams (Risk Control Assurer and Risk Control Specialist), coordination for updating the risk map according to the established methodology and monitoring of mitigation plans.

In connection with qualitative management, the Support Tool for Operational Risk Management (STORM tool) makes it possible to record the operational risks identified by associating them with a taxonomy of processes and their quantification, as well as recording the evaluation periodical controls associated with critical risks. In 2020, risks and controls are being updated, maintaining the validity of the model.

In addition, there is a database, Integrated Operational Risk System (SIRO), which includes all operational risk events that represent a loss for the BBVA Peru Group, is the fundamental quantitative tool for risk management operational.

The Bank is authorized to use the alternative standard method for calculating the effective equity requirement for operational risk, which allows it to optimize the regulatory capital requirement for operational risk management.

The effective equity requirement for operational risk based on the alternative standard method as of December 31, 2020 amounts to S/ 542 million (S/ 502 million as of December 31, 2019) and for EDPYME based on the basic indicator method as of December 31, 2020 amounts to S/ 7 million (S/ 6 million as of December 31, 2019).

Among the relevant initiatives carried out during 2020, the strengthening of the Bank's internal control scheme stands out through the provision of a greater structure and work methodologies, which has allowed the implementation of the two lines of defense in the internal control through the roles of Risk Control Assurer and Risk Control Specialist mentioned. Likewise, the bank has been working on implementing a new tool, which will support operational risk management.

The business continuity team has conducted actions to assure the business continuity during national state of emergency, including people management and remote working.

30. Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

In cases where the listed value is not available, the fair value is estimated based on the listed value of a financial instrument with similar characteristics, the present value of the expected cash flows or other valuation techniques; which can be significantly affected by the different assumptions used.

Despite the fact that Management uses its best criteria in estimating the fair value of its financial instruments, there are inherent weaknesses in any valuation technique. As a consequence, the fair value may not be a rough estimate of the net realizable value or the liquidation value.

Regarding the methodology and assumptions used in estimating the fair value of the BBVA Peru Group's financial instruments, the following should be considered:

Financial instruments whose fair value is similar to the carrying amount:
This assumption applies for those assets and liabilities with current maturity, with variable interest rate and those whose fair value correspond to the carrying amount according to the SBS Official Letter 43078-2014-SBS.

Financial instruments at fixed rate
The methodology of future flows projection discounted at market interest rates is used, for instruments with similar characteristics.

Financial instruments measured at fair value
The fair value hierarchy categorizes into 3 levels the inputs to valuation techniques used to measure fair value:

- Level 1: For instruments quoted in active markets, the fair value is determined by the price observed in those markets; and for instruments whose market price is not available but that of its components is, the fair value will be determined based on the relevant market prices of such components.

- Level 2: For instruments quoted in non-active markets, fair value is determined by using a valuation technique or model that mostly uses market data and minimizes the use of data provided by the Bank.

- Level 3: For unquoted instruments, fair value is determined using valuation techniques or models.

The fair value of held for trading and investments available-for-sale has been determined based on their market prices or the quotations of the underlying assets (sovereign risk rates) on the date of the consolidated financial statements.

The fair value of derivative financial instruments is determined using valuation techniques.

Carrying amount and fair value of financial assets and financial liabilities

Taking into account the fair value considerations and the Official Letter 43078-2014- SBS, in which the SBS determined that the fair value corresponds to the carrying amount of loans and deposits, as of December 31, 2020 and 2019, the carrying amount and fair value of financial assets and financial liabilities are presented as follows:

	Carrying amount		**Fair value**	
In thousands of soles	**2020**	**2019**	**2020**	**2019**
Assets				
Cash and due from banks	24,954,267	14,816,709	24,954,267	14,816,709
Interbank funds	137,599	150,137	137,599	150,137
Investments at fair value through profit or loss and investments available-for-sale	11,421,340	6,639,844	11,421,340	6,639,844
Loan portfolio, net	66,593,761	56,398,279	66,593,761	56,398,279
Trading derivatives	898,595	567,686	898,595	567,686
Hedging derivatives	103,354	4,611	103,354	4,611
Accounts receivable	44,614	41,933	44,614	41,933
Other assets	889,508	1,209,497	889,508	1,209,497
	105,043,038	**79,828,696**	**105,043,038**	**79,828,696**
Liabilities				
Obligations to the public and deposits from financial system entities	72,212,597	56,159,283	72,212,597	56,159,283
Interbank funds	72,421	150,016	72,421	150,016
Borrowings and financial obligations	7,053,718	9,678,796	7,035,674	9,696,271
Trading derivatives	876,395	490,934	876,395	490,934
Hedging derivatives	14,633	19,777	14,633	19,777
Accounts payable	16,031,775	4,213,820	16,031,775	4,213,820
	96,261,539	**70,712,626**	**96,243,495**	**70,730,101**

Assets and liabilities recorded at fair value based on the hierarchy level are recorded as follows:

Financial instruments recorded at fair value and value hierarchy

	2020				2019			
In thousands of soles	**Fair value**	**Level 1**	**Level 2**	**Level 3**	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Assets								
Investments at fair value through profit or loss								
Equity instruments	43,216	43,216	-	-	26,331	26,331	-	-
Debt instruments	4,679,056	296,595	4,382,461	-	2,669,123	182,149	2,486,974	-
Investments available-for-sale								
Equity instruments	29,233	29,233	-	-	26,947	26,947	-	-
Debt instruments	6,675,067	2,570,885	4,104,182	-	3,915,562	1,076,078	2,839,484	-
Trading derivatives	898,595	-	898,595	-	567,686	-	567,686	-
Hedging derivatives	103,354	-	103,354	-	4,611	-	4,611	-
	12,428,521	**2,939,929**	**9,488,592**	**-**	**7,210,260**	**1,311,505**	**5,898,755**	**-**
Liabilities								
Borrowings and financial obligations	3,032,280	-	3,032,280	-	3,882,575	-	3,882,575	-
Trading derivatives	876,395	-	876,395	-	490,934	-	490,934	-
Hedging derivatives	14,633	-	14,633	-	19,777	-	19,777	-
	3,923,308	**-**	**3,923,308**	**-**	**4,393,286**	**-**	**4,393,286**	**-**

Description of the valuation techniques for instruments recorded at fair value

Level 2		**Valuation techniques/ Hypothesis**	**Main inputs used**
Fixed and variable rate		**Fixed rate:** Present value of cash flows from bonds (coupons and face value): $Precio_{bono} = \sum_{n=1}^{N} \frac{Cupón}{(1+YTM)^{n}} + \frac{Valor\ Nominal}{(1+YTM)^{N}}$ These cash flows are discounted at yield to maturity (YTM) **Variable rate:** The closing price taken is the one consigned in a public source of information (Price Vendors). The Bank does not have trading portfolio of variable rate.	▪ **Fixed rate:** Bonds details (coupon rate, coupons payment frequency, face value) *Yield to Maturity (YTM): Obtained from operations traded in Datatec in such a way that the transaction is greater than or equal to S/ 2 million (internally defined condition).* ▪ **Variable rate:** closing price of Bloomberg, Reuter or the website of the BVL.
Derivatives	(a) Forwards, cross-currency swaps contracts and cross currency swaps	Calculation of the present value of each of the components of the derivative (fixed / variable) considering market interest rates and converting it to soles with the exchange rate of the day, if necessary. The following are taken into account: variable flows (if any), the projection of flows, the discount curves for each underlying and the current market interest rates.	▪ Forward points ▪ Fixed vs variable price ▪ Exchange rate at closure ▪ Market interest rate curves
	(b) Options	**For options on shares, currency and raw materials** The hypothesis derived from the use of the Black-Scholes model takes into account the possible adjustments to convexity.	**Derivatives on shares, currency and raw materials** ▪ Forward structure of the underlying ▪ Changes in options ▪ Observable correlations between underlying
		For derivatives on interest rates: The hypothesis derived from the use of the Black-Scholes assumes a lognormal process of forward rates and model takes into account the possible adjustments to convexity.	**Derivatives on interest rates:** ▪ Maturity structure of interest type curve ▪ Significant inputs used por main inputs

31. Subsequent Events

The Bank is not aware of any subsequent event occurring between the closing date and the issuing date of these consolidated financial statements that may affect it significantly.

As described in note 1.B, the Peruvian government issued various COVID-19 supreme and emergency decrees in the year 2020. Likewise, on January 13, 2021, the Peruvian government implemented various restrictive measures to prevent the spread of COVID-19, including extending confinement in “extreme risk” regions until the end of February 2021 and the State of Emergency until September 2, 2021. In this sense, management conducts a continuous monitoring of the Peruvian Government measures.

On January 13, 2021, the Bank was authorized through SBS Resolution 00120-2021 to the contracting of a redeemable subordinated loan for up to US$ 200 million computable in the Level 2 Cash Equity, in accordance with the provisions of the aforementioned resolution.