

BANCO BBVA PERÚ AND SUBSIDIARIES

Consolidated Financial Statements

June 30, 2020 and December 31, 2019

(TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN SPANISH)

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BANCO BBVA PERÚ AND SUBSIDIARIES

Consolidated Statement of Financial Position

As of June 30, 2020 and December 31, 2019

<i>In thousands of soles</i>	<i>Note</i>	2020	2019	<i>In thousands of soles</i>	<i>Note</i>	2020	2019
Assets				Liabilities			
Cash and due from banks	4	17,562,577	14,816,709	Obligations to the public and deposits from financial system entities	11	66,633,287	56,159,283
Interbank funds		-	150,137	Interbank funds		-	150,016
Investments at fair value through profit or loss and available-for-sale	5	10,752,067	6,639,844	Borrowings and financial obligations	12	10,030,678	9,678,796
Loan portfolio, net	6	63,395,892	56,398,279	Trading derivatives	7	1,106,477	490,934
Trading derivatives	7	1,205,155	567,686	Hedging derivatives	7	21,540	19,777
Hedging derivatives	7	115,216	4,611	Provisions and other liabilities	13	10,197,672	6,099,627
Realizable assets and asset seized and recovered through legal actions		163,386	187,561	Total liabilities		87,989,654	72,598,433
Investments in associates	8	12,216	15,602	Equity	14		
Property, furniture and equipment, net	9	952,545	988,104	Share Capital		6,529,169	5,885,209
Deferred income tax		580,115	439,139	Reserves		1,830,825	1,669,835
Other assets, net	10	2,345,229	1,569,911	Adjustments to equity		53,514	22,816
Goodwill		474	1,316	Retained earnings		681,710	1,602,606
Total assets		97,084,872	81,778,899	Total equity		9,095,218	9,180,466
Risks and contingent commitments		32,178,857	29,978,308	Total liabilities and equity		97,084,872	81,778,899
				Risks and contingent commitments		32,178,857	29,978,308

The accompanying notes are part of these consolidated financial statements.

BANCO BBVA PERÚ AND SUBSIDIARIES
Consolidated Statement of Income
For the six-month period ended June 30, 2020 and 2019

<i>In thousands of soles</i>	Note	2020	2019
Interest income	15	2,178,024	2,376,685
Interest expenses	16	(602,834)	(683,525)
Gross financial income		1,575,190	1,693,160
Provisions for direct loans, net of recoveries		(627,134)	(378,698)
Net financial income		948,056	1,314,462
Income from finance services, net	17	346,517	391,945
Financial income net of revenue and expenses for financial services		1,294,573	1,706,407
Profit or loss from financial operations	18	278,588	340,655
Operating margin		1,573,161	2,047,062
Administrative expenses	19	(827,682)	(803,789)
Depreciation and amortization		(99,822)	(90,845)
Net operating margin		645,657	1,152,428
Valuation of assets and provisions		(58,608)	(44,005)
Net Operating profit or loss		587,049	1,108,423
Other income and expenses, net		12,879	(2,227)
Profit or loss before income tax		599,928	1,106,196
Income tax		(152,409)	(318,338)
Net profit or loss		447,519	787,858
Basic and diluted earnings per share in soles	20	0.0685	0.1207
Weighted average number of shares outstanding (in thousands of shares)	20	6,529,169	6,529,169

The accompanying notes are part of these consolidated financial statements.

BANCO BBVA PERÚ AND SUBSIDIARIES

Consolidated Statement of Income and Other Comprehensive Income
For the six-month period ended June 30, 2020 and 2019

<i>In thousands of soles</i>	2020	2019
Net profit or loss	447,519	787,858
Other comprehensive income:		
Unrealized gains on available-for-sale investments	30,784	22,466
Unrealized gains on cash flow hedges	714	4,198
Other comprehensive income for investment in associates	24	(47)
Income tax related to the components of other comprehensive income	(824)	(73)
Other comprehensive income for the period, net of income tax	30,698	26,544
Total comprehensive income for the period	478,217	814,402

The accompanying notes are part of these consolidated financial statements.

BANCO BBVA PERÚ AND SUBSIDIARIES

Consolidated Statement of Changes in Shareholders' Equity

For the six-month period ended June 30, 2020 and 2019

In thousands of soles	Number of shares in thousands (note 14.B)	Share Capital (note 14.B)	Legal Reserve (note 14.C)	Adjustments to equity (note 14.D)	Retained earnings (note 14.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	-	-	-	-	787,858	787,858
Other comprehensive income:						
Unrealized gain on available-for-sale investments	-	-	-	23,631	-	23,631
Unrealized gain on cash flow hedging derivatives	-	-	-	2,960	-	2,960
Other comprehensive income for investment in associates	-	-	-	(47)	-	(47)
Total comprehensive income for the period		-	-	26,544	787,858	814,402
Changes in equity (not included in comprehensive income):						
Dividends	-	-	-	-	(811,812)	(811,812)
Capitalization of retained earnings	516,607	516,607	-	-	(516,608)	(1)
Transfers to reserves and other movements	-	-	147,613	-	(147,602)	11
Balance as of June 30, 2019	5,885,209	5,885,209	1,669,648	18,548	781,408	8,354,813
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	-	-	-	-	447,519	447,519
Other comprehensive income:						
Unrealized gain on available-for-sale investments	-	-	-	30,142	-	30,142
Unrealized gain on cash flow hedging derivatives	-	-	-	532	-	532
Other comprehensive income for investment in associates	-	-	-	24	-	24
Total comprehensive income for the period		-	-	30,698	447,519	478,217
Changes in equity (not included in comprehensive income):						
Dividends	-	-	-	-	(563,465)	(563,465)
Capitalization of retained earnings	643,960	643,960	-	-	(643,960)	-
Transfers to reserves and other movements	-	-	160,990	-	(160,990)	-
Balance as of June 30, 2020	6,529,169	6,529,169	1,830,825	53,514	681,710	9,095,218

The accompanying notes are part of these consolidated financial statements.

BANCO BBVA PERÚ AND SUBSIDIARIES
Consolidated Statement of Cash Flows
For the six-month period ended June 30, 2020 and 2019

<i>In thousands of soles</i>	2020	2019
Reconciliation of net profit or loss with cash and cash equivalent from operating activities:		
Net profit or loss	447,519	787,858
Adjustments	734,660	594,766
Depreciation and amortization	99,822	90,845
Impairment of property, furniture and equipment and intangible assets	11,118	-
Impairment	6,571	-
Provisions	668,054	423,626
Other adjustments	(50,905)	80,295
Net changes in assets and liabilities:	6,291,759	(803,765)
Loan Portfolio	(6,448,271)	(2,721,433)
Available-for-sale investments	699,875	214,258
Accounts receivable and others	(962,542)	(2,631,782)
Non-subordinated financial liabilities	8,370,849	1,406,478
Accounts payable and others	4,631,848	2,928,714
Profit or loss for the period after net changes in assets, liabilities and adjustments	7,473,938	578,859
Income tax paid	(368,207)	(261,380)
Net cash and cash equivalents from operating activities	7,105,731	317,479
Cash flows from investing activities:		
Purchases in shares	-	(40)
Sales on intangible assets and property, furniture and equipment	4	-
Purchases on intangible assets and property, furniture and equipment	(39,863)	(94,789)
Other inflows related to investing activities	16,201	56,243
Net cash and cash equivalents used in investing activities	(23,658)	(38,586)
Cash flows from financing activities:		
Dividends paid	(563,122)	(811,465)
Other inflows related to financial activities	196,558	-
Other outflows related to financial activities	-	(300,000)
Net cash and cash equivalents used in financing activities	(366,564)	(1,111,465)
Net increase (decrease) of cash and cash equivalent before the effect of exchange rate fluctuations	6,715,509	(832,572)
Effect of exchange rate fluctuations on cash and cash equivalents	919,765	(220,336)
Net Increase (decrease) in cash and cash equivalents	7,635,274	(1,052,908)
Cash and cash equivalents at the beginning of the period	15,762,558	15,325,466
Cash and cash equivalents at the end of the period	23,397,832	14,272,558
Funds pledge as collateral	1,933,741	2,623,497
Interbank Funds	-	(40,009)
Investments with maturities or trading of less than 90 days	(7,768,996)	(4,187,335)
CASH AND DUE FROM BANKS AS PER THE STATEMENT OF CONSOLIDATED FINANCIAL POSITION	17,562,577	12,668,711

The accompanying notes are part of these consolidated financial statements.

1. Reporting Entity and Business activity

A. Reporting Entity

Banco BBVA PERÚ S.A. is a subsidiary of BBVA Holding Perú S.A.C., which holds 46.12% of its share capital as of June 30, 2020 and December 31, 2019. Banco Bilbao Vizcaya Argentaria S.A. holds 100% of the shares of BBVA Holding Perú S.A.C.

B. Economic activity

The Bank is a public corporation incorporated in 1951, and it was authorized to operate as a banking entity by Superintendencia de Banca, Seguros y Administradora de Fondos de Pensiones (Peruvian Banking, Insurance and Pension Plan Agency, hereinafter 'SBS').

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

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

As of June 30, 2020 and December 31, 2019, the Bank develops activities through a national network of 332 offices. As of June 30, 2020 and December 31, 2019, the total number of employees of the Bank is 6,398 and 6,286, respectively.

The Bank has shareholding with 100% voting rights over its following 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. Although the Bank does not have any equity interest in capital, nor the voting rights over Continental DPR Finance Company (DPR), given the characteristics of its corporate purpose and its relationship with the Bank, the accounting standards that regulate the Bank require that the financial statements of DPR be included on the consolidated basis with those of the Bank (all these companies shall be hereinafter referred to as 'BBVA Perú Group').

In 2019, BBVA Consumer Finance EDPYME presented a plan to the SBS to integrate its businesses with those of the Bank.

C. Approval of the consolidated financial statements

The Bank's management approved the consolidated financial statements as of June 30, 2020.

D. Programs of the Peruvian State for the economic reactivation of the country

- The "FAE-MYPE Fund" is aimed at Micro and Small Businesses. It is a guaranteed loan to the bank so that it, in turn, grants loans to clients for working capital.

At first, apply for new working capital, rescheduled, and refinancing loans. The maximum loan amount per client was up to S/ 90 thousand. The coverage percentages are 30%, 50%, and 70%.

Currently, it only applies to new working capital loans. The maximum loan amount per client is up to S/ 30 thousand. The coverage percentages are 95% and 98%. Effective date until December 31, 2020.

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- "Reactiva Perú" fund, promotes financing for working capital funds of companies affected by COVID-19. The Bank obtains the resources for these loans through repurchase loan portfolio agreements with Banco Central de Reserva del Perú (BCRP).

The program fund is S/ 60,000 million and the maximum amount of credit per client is S/ 10 million.

On May 28, 2020, Supreme Decree No. 124-2020-EF has modified the maximum amounts of credits granted to the beneficiary companies of this program, as well as one of the conditions of access to it, in order to extend the financing of the working capital funds of companies facing short-term payments and obligations.

On June 23, 2020, Supreme Decree No. 154-2020-EF extends the validity of the program until September 30, 2020.

On June 25, 2020, Supreme Decree No. 159-2020-EF and June 29, 2020, Ministerial Resolution No. 181-2020-EF, incorporate new eligibility criteria that clients must meet.

- "Creceer Fund", is a program that grants guarantees to loans for "Working capital", "Property, plant and equipment" and "Foreign trade" loans in order to promote the development of productive and business of small and medium companies. The amount of coverage per client is up to S/ 10 million.
- Guarantee program of the National Government to the credit portfolio of the financial system entities, which aims to inject liquidity to them. Effective date until December 31, 2022.
- The BCRP has given the possibility to the banks to obtain economic funding (0.5%) through loan portfolio repurchase agreement. In this case, the Bank will commit to reschedule the portfolio of credits of its clients or loan portfolio acquired from other financial entities (includes the purchase debt or subrogation), reducing the interest rate as long as the operation with the BCRP last.
- "FAE-TURISMO Fund" is a program aimed to small and micro business that carry out lodging, Interprovincial passenger land transport, tourist transport, travel agencies travel and tourism, restaurants, leisure activities, organization of congresses, conventions and events, tourist guidance, and production and sale of handicrafts. Applies for working capital loans and the maximum amount per client is up to S/ 750 thousand with coverage percentages of 95% and 98%. Effective date until December 31, 2020.
- "FAE-AGRO Fund" is aimed at farmers who carry out family farming. It is a loan guaranteed to the Bank so that it in turn grants loans to the clients for working capital. Applies for working capital credits and the maximum amount per client is up to S/ 30 thousand with coverage percentages of 95% and 98%. Effective date until December 31, 2020.

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Notes to the Consolidated Financial Statements
As of June 30, 2020 and December 31, 2019

E. Reclassifications

Certain items in the consolidated financial statements as of June 30, 2019 have been reclassified for comparative purposes with the ones from the present year. Management considers that the reclassifications do not imply changes in the decisions made based on them. The amounts reclassified and the affected accounts are summarized as follows:

Consolidated Statement of Cash Flows for the period for the six-month period ended June 30, 2019

<i>In thousands of soles</i>	Balances without reclassification	Reclassification	Reclassified balances
Adjustments			
Other adjustments	1,705,566	(1,625,271)	80,295
Variation in assets and liabilities:			
Non subordinated, Financial liabilities	(179,062)	1,585,540	1,406,478
Accounts payable and others	2,888,983	39,731	2,928,714

2. Basis of Preparation of the Consolidated Financial Statements

A. Basis of consolidation

The consolidated financial statements include the financial statements of companies, stated in note 1, that comprise BBVA Perú Group, after eliminating the balances and significant transactions carried out among them, and the profits and losses resulting from such transactions. All subsidiaries have been consolidated since the date of their incorporation or acquisition.

Subsidiaries are all companies over which the Bank has control and is able to manage their operating and financial policies. The consolidation of subsidiaries ceases as from the date on which the Bank ceases to have control over them.

The following are the main balances of BBVA Perú Group as of June 30, 2020 and as of December 31, 2019:

<i>In millions of soles</i>	Assets		Liabilities		Equity	
	2020	2019	2020	2019	2020	2019
Entity						
Banco BBVA Perú	97,077	81,722	87,963	72,534	9,114	9,188
BBVA Bolsa Sociedad Agente de Bolsa S.A.	37	41	20	22	17	19
BBVA Asset Management S.A. SAF	50	43	18	4	32	39
BBVA Sociedad Titulizadora S.A.	6	6	1	1	5	5
Inmuebles y Recuperaciones BBVA S.A.	169	168	3	4	166	164
Continental DPR Finance Company	127	145	127	145	-	-
BBVA Consumer Finance Edpyme	405	539	304	447	101	92
Forum Comercializadora S.A.	2	2	-	-	2	2
Forum Distribuidora S.A.	125	183	101	160	24	23

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Notes to the Consolidated Financial Statements

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3. Accounting Principles and Practices

The accounting principles and practices as of June 30, 2020, have not changed in regards to the audited report issued on February 25, 2020 by Caipo y Asociados S. Civil de R.L. and member firm of the network of independent member firms of KPMG affiliated with KPMG International Cooperative; for the years ended December 31, 2019 and 2018, except for:

Under Supreme Decree N° 044-2020-PCM issued on March 15, 2020, the government of Peru declared the National State of Emergency due the serious circumstances that affect the life of the nation affected by the COVID-19 outbreak and mandatory social isolation of the population was decreed (quarantine). In this context, the SBS, through Multiple Letters N° 11150-2020-SBS and 11170-2020-SBS, issued a series of exceptional and preventive measures in loan matters, among which the following stand out:

Loans rescheduled

(a) Loans rescheduled on collective basis

The loans rescheduled on collective basis include clients with approval or not and do not have individual credit evaluation must have the following requirements:

- (i) The client must have up to 15 days late as of February 29, 2020 or March 15, 2020.
- (ii) The maximum date to request the first rescheduled loan 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 rescheduled term is 6 months for loans to large companies and corporate loans and 12 months for retail loans to medium-sized companies.

(b) Loans rescheduled on individual basis

The individual rescheduled loans must have a credit evaluation and the client's approval. The Bank is permitted to reschedule these loans on payment terms higher than permitted for collective basis. Likewise, the client must not be more than 30 days past due to the rescheduled date.

(c) For both types of loan rescheduling

Starting July 1, 2020 in the case of rescheduling of revolving credit cards loans, only the full rescheduling of the debt will proceed in a payment schedule.

(d) The companies of the financial system may apply the accrual criterion for the accounting record of the interests associated with the retail loans that is rescheduled. In case the loans change accounting situation to past due after the payment obligation is resumed according to the new schedule, the company must register as non-accrual the uncollected accrued interest income, counting with six (06) months to make said register proportionally.

(d) In the case of non-retail debtors, rescheduled on collective basis the interests associated with said credit loans must be carried out as such amounts are collected (nonaccrual). If the rescheduling is carried out on individual analysis, the accrual criteria may be applied.

Suspension of the count of days in delay

In the case of debtors who present credits with more than 15 calendar days overdue to February 29, 2020, financial system entities may suspend the count of the days of delay registered and maintain the accounting situation of said credits, until July 31, 2020.

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Notes to the Consolidated Financial Statements

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4. Cash and due from banks

As of June 30, 2020 and as of December 31, 2019 cash and due from banks and deposits in Banco Central de Reserva del Perú (hereinafter 'BCRP') include US\$ 198 million and S/ 1,631 million (US\$ 2,026 and S/ 1,707 million as of December 31, 2019), which correspond to the required reserve that Peruvian entities must maintain for deposits and obligations to the public. These funds are deposited in the entities vaults or in BCRP.

As of June 30 31, 2020 and December 31, 2019, the funds required for the reserve in local and foreign currency are affected by an implicit rate of 4% and 35%, respectively over total obligations subject to required reserve (TOSE) as required by BCRP.

Reserve funds represent the legal minimum (5%) and do not bear interest. Reserve funds corresponding to the additional reserve required in foreign currency and local currency, bear interest at an annual nominal rate set by the BCRP.

As of June 30, 2020, the BCRP balances include overnight deposits and time deposits according to circular 035 - 2010 for a value amounting to S/ 6,754 million (S/ 219 million as of December 31, 2019), and S/ 3,250 million, respectively.

As of June 30, 2020 and as of December 31, 2019 cash and due from banks includes funds pledge as collateral supporting currency repurchase agreements with the BCRP for US\$ 431 million and US\$ 671 million, respectively.

As of June 30, 2020, the cash and due from banks includes guarantee funds that support loan portfolio repurchase commitments with the BCRP for S/ 4.6 million

As of June 30, 2020 and as of December 31, 2019 cash and due from banks includes commitments with foreign financial institutions for transactions with derivative financial instruments for an equivalent of S/ 381 million and S/ 27 million, respectively.

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

As of June 30, 2020 and December 31, 2019, this caption comprises the following:

<i>In thousands of soles</i>	2020	2019
Investments at fair value through profit or loss:		
BCRP certificates of deposit (a)	3,439,787	2,371,433
Bonds of the Peruvian Public Treasury (b)	967,335	297,690
Mutual funds (e)	26,566	26,331
	4,433,688	2,695,454
Available-for-sale investments:		
U.S. and German Treasury bill (c) / (d)	2,489,248	496,661
BCRP certificates of deposit (a)	2,092,502	1,831,273
Bonds of the Peruvian Public Treasury (b) / (d)	1,394,782	1,470,316
Multilateral Development Bank bonds	144,173	-
Corporate bonds	123,987	117,312
U.S. Treasury bonds	44,053	-
Shares in local companies (f)	28,624	28,818
Shares in foreign companies	1,010	1,010
	6,318,379	3,944,390
	10,752,067	6,639,844

- (a) BCRP certificates of deposit are securities freely negotiable with a maturity until March 2021 (February 2021, as of December 31, 2019); they are acquired through BCRP public bids and traded in the Peruvian secondary market. As of December 31, 2019, S/ 983 million are compromised in repurchase agreements.

As of June 30, 2020, the annual interest generated by these certificates in local currency fluctuates between 0.25% and 5% (between 2.04% and 2.47% in local currency, as of December 31, 2019).

- (b) Bonds of the Peruvian Public Treasury include sovereign bonds of the Republic of Peru in local currency and global bonds in foreign currency, both issued by the Ministry of Economy and Finance of Peru (MEF), which represent internal public debt instruments of the Republic of Peru. As of December 31, 2019, the bank has committed S/ 457 million from the balance of these instruments to repurchase agreement transactions.

As of June 30, 2020, these bonds accrue interest at annual rates ranging from 0.32% to 5.30% in local currency (between 1.08% and 5.42% as of December 31, 2019) and in foreign currency, the annual rate is 2.55% (2.91% as of December 31, 2019). As of June 30, 2020 and December 31, 2019, these bonds in local currency with maturities until February 2055 for both periods and in foreign currency with a maturity until July 2025 for both periods.

- (c) The U.S. Treasury bills include S/ 4 million provision for country risk.
- (d) As of June 30, 2020, the German Treasury Bill and global bonds, in foreign currency has a cash flow hedge (note 7(ii)).

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Notes to the Consolidated Financial Statements

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- (e) As of June 30, 2020 and December 31, 2019, the investment in mutual funds corresponds to the participation quotes held by Inmuebles y Recuperaciones BBVA S.A. in different mutual funds that BBVA Asset Management S.A. SAF manages.
- (f) As of June 30, 2020 and December 31, 2019, it mainly includes shares of Bolsa de Valores de Lima (BVL) for S/ 29 million and S/ 27 million, respectively.

6. Loan Portfolio, Net

As of June 30, 2020 and December 31, 2019, this caption comprises the following:

<i>In thousands of soles</i>	2020		2019	
Direct loans:				
Loans	27,829,729	44%	20,251,280	36%
Mortgage loans	12,882,013	21%	12,847,424	23%
Consumer loans	6,535,268	10%	6,700,410	12%
Foreign trade	6,317,763	10%	5,535,077	10%
Finance lease	3,641,881	6%	3,986,476	7%
Project Finance	1,835,551	3%	1,716,350	3%
Factoring	1,086,472	2%	1,492,391	3%
Discounts	1,066,220	2%	1,186,831	2%
Others	1,596,212	2%	2,247,844	4%
	62,791,109	100%	55,964,083	100%
Past due and under legal collection loans	2,151,166	3%	1,793,133	2%
Refinanced loans	1,439,043	2%	1,248,536	2%
	66,381,318	105%	59,005,752	104%
Plus (less):				
Accrued interest	657,752	1%	362,568	1%
Non-accrued interest	(81,046)	-	(63,032)	-
Provision for direct loan losses	(3,562,132)	(6%)	(2,907,009)	(5%)
	63,395,892	100%	56,398,279	100%
Contingent loans	17,805,473		16,607,497	

As of June 30, 2020 and December 31, 2019, 51% of the direct loans portfolio concentrated approximately 2,510 and 2,313 clients, equivalent to S/ 34,295 million and S/ 30,648 million, respectively.

Loans secured by guarantees received from customers, mainly composed by mortgages, deposits, letters of guarantee, guarantees, warrants and financial lease operations, amount to S/ 47,598 million as of June 30, 2020 (S/ 41,285 million as of December 31, 2019).

As of June 30, 2020, part of the mortgage loan portfolio guarantees a debt with Fondo MIVIVIENDA – Programa MIHOGAR for an equivalent of S/ 448 million (S/ 453 million as of December 31, 2019). (Note 12(b)).

As of June 30, 2020, part of the loan portfolio belongs to the Reactiva Perú, Crecer and FAE programs (Note 1.D) with balances of S/ 6,479 million, S/ 21 million and S/ 188 million, respectively. The Reactiva program credits are part of the loan portfolio reporting operations with the BCRP (Note 13 (a)).

As of June 30, 2020, S/ 62 million of the loan portfolio is committed in credit portfolio reporting operations with the BCRP (Note 13 (a)).

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As of June 30, 2020, S/ 389 million of the loan portfolio has a cash flow hedge through a currency forward (Note 7 (ii)).

As of June 30, 2020 and as of December 31, 2019 the outstanding balance of the direct credit portfolio segmented by type of client in accordance with Resolution SBS N° 11356-2008, is as follows:

<i>In thousands of soles</i>	2020		2019	
Medium business loans	14,462,985	22%	11,537,013	20%
Corporate	13,692,798	21%	13,231,810	22%
Mortgage loans	13,561,203	21%	13,384,264	23%
Large business loans	12,521,968	19%	9,910,587	17%
Consumer loans	6,866,745	10%	6,959,035	12%
Small business loans	3,285,999	5%	1,752,997	3%
Public Sector Entities	977,115	1%	926,515	2%
Financial System Entities	607,430	1%	806,950	1%
Micro-business loans banks	235,209	-	107,280	-
Stock brokers	118,366	-	331,300	-
Multilateral development	51,500	-	58,001	-
	66,381,318	100%	59,005,752	100%

As of June 30, 2020 and December 31, 2019, the balances of the loan portfolio are distributed in economic sectors as follows:

<i>In thousands of soles</i>	2020		2019	
Mortgage and consumer loans	20,427,948	31%	20,343,298	35%
Commerce	13,487,235	20%	9,866,544	17%
Manufacture	10,087,038	15%	8,836,261	15%
Real estate, business and rental	5,131,092	8%	4,713,457	8%
Transportation, storage and communications	4,533,921	7%	3,700,744	6%
Agriculture and Livestock	2,146,628	3%	1,815,548	3%
Mining	1,656,108	3%	1,604,248	3%
Electricity, Gas and Water	1,335,050	2%	1,020,874	2%
Financial intermediation	1,280,710	2%	1,801,589	3%
Construction	1,075,564	2%	898,794	2%
Others	5,220,024	7%	4,404,395	6%
	66,381,318	100%	59,005,752	100%

As of June 30, 2020 and as of December 31, 2019 the annual average effective interest rate of the main products was as follows:

<i>Type of transaction (%)</i>	2020		2019	
	Local Currency	Foreign currency	Local currency	Foreign currency
Loans and discounts	4.87	4.83	7.21	5.19
Mortgage loans	7.37	6.39	7.52	6.49
Consumer loans	22.24	24.79	23.57	28.07

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Notes to the Consolidated Financial Statements

As of June 30, 2020 and December 31, 2019

As of June 30, 2020 and 2019, the composition of the provision for doubtful of direct loans, net as shown in the consolidated income statement is as follows:

<i>In thousands of soles</i>	2020	2019
Provisions for direct loan losses	(1,321,004)	(1,040,581)
Recovery of provisions	691,644	660,730
Income from recovery of write off portfolio	2,226	1,153
Provisions for direct loans, net of recoveries	(627,134)	(378,698)

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

As of June 30, 2020, the general provision for doubtful loans includes general voluntary and procyclical provisions of S/ 921 million (S/ 570 million as of December 31, 2019).

BBVA Perú Group, in application of and in compliance with the current regulation, has identified those clients that are exposed to currency-induced credit risk and considers that it is not necessary to make an additional provision for this concept.

As of June 30, 2020, BBVA Peru Group wrote off an impaired loan portfolio of S/ 27 million (As of December 31, 2019, it amounted to S/ 96 million).

During 2019, the Bank sold a portfolio of S/ 332 million. The selling value amounted to S/ 21 million and is presented in 'Profit or loss from financial operations' of the consolidated statement of income.

As of June 30, 2020, rescheduled loans (Note 3) amount to S/ 18,578 million. Likewise, it includes rescheduled loans (consumer, small and micro-business loans) for approximately S/ 2,872 million, which the Bank extend for two or three months the payment terms without interests. The impact in these loans is approximately S/ 97 million of lower financial income.

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As of June 30, 2020 and December 31, 2019

7. Trading and Hedging Derivatives

As of June 30, 2020 and December 31, 2019, BBVA Perú Group holds agreements of foreign currency forwards, cross currency swaps (CCS), interest rate swaps (IRS) and options. The following caption shows the fair value of these derivative financial instruments as accounts receivable (assets) or accounts payable (liabilities). The face values presented correspond to the underlying assets of derivative instruments, on which changes at fair value are measured.

<i>In thousands of soles</i>	Underlying	Face	Assets	Liabilities
2020 (Notes 5,6 and 12)				
Trading derivatives				
Currency forwards		20,521,096	278,933	274,073
Interest rate swaps		12,708,714	447,688	574,152
Currency swaps		8,654,182	482,772	253,687
Share options, currency and others		774,839	4,565	4,565
Provision for country risk		-	(8,802)	-
		42,658,832	1,205,155	1,106,477
Hedging derivatives				
At fair value (i)				
Interest rate swaps	Bond issuance	2,830,400	112,186	-
Interest rate swaps	Borrowings	1,309,060	3,029	-
Cash flows (ii)				
Currency forwards	German Treasury Bill	636,188	-	779
Currency forwards	Loan Portfolio	390,108	-	10,220
Currency forwards	Multilateral bank bond	108,613	-	3,797
Currency swaps	Global Bond	106,140	-	6,242
Interest rate swaps	Borrowings	40,434	-	502
		5,420,944	115,216	21,540
		48,079,775	1,320,371	1,128,018

<i>In thousands of soles</i>	Underlying	Face Value	Assets	Liabilities
2019 (Notes 5 and 12)				
Trading derivatives				
Currency forwards		18,997,442	145,334	148,048
Interest rate swaps		8,279,557	111,093	102,770
Currency swaps		6,287,069	302,746	224,063
Equity, exchange and other options		1,167,909	16,053	16,053
Provision for country risk		-	(7,540)	-
		34,731,977	567,686	490,934
Hedging derivatives				
At fair value (i)				
Interest rate swaps	Bond issuance	2,651,200	-	7,986
Interest rate swaps	Borrowings	1,242,750	-	5,888
Cash flows (ii)				
Interest rate swaps	Borrowings	47,343	134	-
Currency swaps	Borrowings	331,400	-	1,784
Currency swaps	Global Bond	99,420	-	4,119
Currency forwards	Time deposit	351,313	67	-
Currency forwards	U.S. Treasury bill	198,840	4,410	-
		4,922,266	4,611	19,777
		39,654,243	572,297	510,711

(i) Hedging derivatives at fair value

Interest rate swap – IRS

As of June 30, 2020, the Bank has contracted interest rate swaps (IRS) for a face value equivalent to S/ 4,139 million in order to hedge debts and issuance (S/ 3,894 million as of December, 31, 2019). Through the IRS, the Bank receives a fixed rate in U.S. dollars and pays a floating rate in the same currency. In 2020, the total variability in the fair value of IRS resulted in a profit of S/ 113 million, included in 'Profit or loss from financial operations' of the consolidated statement of income (gains of S/ 120 million in 2019).

(ii) Cash flow hedging derivatives

Currency forwards

As of June 30, 2020 the Bank has contracted a "currency forwards" for a nominal value equivalent to S/ 1,135 million for the hedging of fixed income instruments recorded as available for sale investment and borrowings (EUR 160 million from German Treasury bill, US\$ 20 million from Asian Development Bank (ADS) bonds and US\$ 10 million from European Investment Bank (EUI) Bonds). For the German Treasury bill through a "currency forward" the Bank receives a future flow in US dollars; for the ASD and EUI Bonds through a "currency forward" the Bank receives a future flow in US dollars and pays a future flow in euros; for the loan portfolio, it receives a future flow in soles and pays a future flow in US dollars. During 2020, the variation in the fair value of the currency forward amounts to S/ 0.7 million loss, which is recorded net of deferred income tax in equity accounts (loss net of deferred income tax of S/ 1 million as of December 31, 2019).

Currency Swap - CCS

As of June 30, 2020, the Bank has contracted a "currency swap - CCS" for a nominal value equivalent to S/ 106 million for the hedging of bonds recorded as available for sale investment (US\$ 30 million of a global bond). For the global bond through a "currency swap", the Bank receives a fixed interest in soles and pays a fixed interest in US dollars. As of June 30, 2020, the variation in the fair value of the CCS amounts to S/ 2.8 million loss, which is recorded net of deferred income tax in equity accounts (loss net of deferred income tax of S/ 3.5 million as of December 31, 2019).

Interest rate swaps - IRS

As of June 30, 2020, the Bank has contracted "interest rate swaps - IRS" for a nominal value equivalent to S/ 40 million for the hedging borrowings (S/ 47 million as of December 31, 2019). The Bank receives a variable interest in US dollars and pays a fixed interest in the same currency. As of June 30, 2020, the variation in the fair value of the IRS amounts to S/ 0.3 million loss, which is recorded net of deferred income tax in equity accounts (gain net of deferred income tax of S/ 0.1 million as of December 31, 2019).

8. Associates

As of June 30, 2020 and December 31, 2019, this caption comprises the following:

<i>In thousands of soles</i>	2020	2019
Compañía Peruana de Medios de Pagos S.A.C. (a)	8,352	11,070
TFP S.A.C. (b)	3,864	4,532
	12,216	15,602

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As of June 30, 2020 and December 31, 2019

- (a) As of June 30, 2020 and December 31, 2019, BBVA Perú Group, through the Bank, holds a 21.03% interest in the share capital of Compañía Peruana de Medios de Pago S.A.C. (Visanet Perú).

- (b) As of June 30, 2020 and December 31, 2019, BBVA Perú Group, through the Bank, holds a 24.30% interest in the share capital of TFP S.A.C.

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9. Property, Furniture, and Equipment, Net

The movement in property, furniture and equipment and accumulated depreciation is as follows:

<i>In thousands of soles</i>	Land	Buildings and facilities	Furniture and equipment	Vehicles	Premises and improvements in leased property	Work-in-progress	Units in transit and replacing units	Total
Cost								
Balance as of January 1, 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
Dispose through for 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	-	1,561	8,752	-	745	6,076	-	17,134
Dispose through for sales	-	-	(4)	-	-	-	-	(4)
Derecognition of assets and others	-	(108)	(972)	-	24	-	-	(1,056)
Transfers	-	(79,623)	-	-	79,623	-	-	-
As of June 30, 2020	118,224	892,610	740,129	8,088	343,792	91,201	255	2,194,299
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
Dispose through for 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	-	11,971	35,384	338	5,136	-	-	52,829
Dispose through for sales	-	-	(4)	-	-	-	-	(4)
Impairment	-	118	-	-	-	-	-	118
Derecognition of assets and others	-	(109)	(1,221)	-	20	-	-	(1,310)
Transfers	-	(16,582)	-	-	16,582	-	-	-
As of June 30, 2020	-	558,958	488,446	6,977	187,373	-	-	1,241,754
Net cost								
Balance as of June 30, 2020	118,224	333,652	251,683	1,111	156,419	91,201	255	952,545
Balance as of December 31, 2019	118,224	407,220	278,066	1,449	97,765	85,125	255	988,104

According to the current legislation, banks in Peru may not grant as guarantee assets that are part of their property, furniture, and equipment, except for those acquired through the issuance of finance lease bonds and to carry out finance lease operations.

10. Other Assets, Net

As of June 30, 2020 and December 31, 2019, this caption comprises the following:

<i>In thousands of soles</i>	2020	2019
Transactions in progress (a)	1,744,992	1,045,503
Intangible assets, net of amortizations and impairment provision for S/ 187 million (S/ 140 million as of December 31, 2019)	263,104	287,362
Deferred charges (b)	169,527	162,033
IGV tax credit and income tax, net	82,873	30,699
Other accounts receivable	75,469	34,816
Accounts receivable from the sale of goods, services and trust funds	7,076	7,117
Other	2,188	2,381
	2,345,229	1,569,911

- (a) Transactions in progress are operations carried out during the last days of the month and are reclassified in the following month to their definitive accounts in the consolidated statement of financial position. These transactions do not affect the profit or loss of BBVA Perú Group. As of June 30, 2020 and December 31, 2019, they include mainly the following treasury transactions: i) purchase and sale of currencies for S/ 508 million (S/ 873 million as of December 31, 2019), and ii) sale of securities for S/ 952 million (S/ 136 million as of December 31, 2019).
- (b) As of June 30, 2020 and December 31, 2019, deferred charges include mainly prepaid insurance and deferred loan origination fees, related to fees paid to external sales force.

Goodwill

As of June 30, 2020, the Bank has evaluated the recoverable value of the cash-generating units it maintains, and, where applicable, has recognized a provision for impairment of goodwill for S/ 5 million (S/ 4 million as of December 31, 2019), which corresponds to the highest value paid on the carrying amount of entities acquired (BBVA Consumer Finance EDPYME, Forum Comercializadora del Perú S.A. and Forum Distribuidora del Perú S.A.).

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

As of June 30, 2020 and December 31, 2019, this caption comprises the following:

<i>In thousands of soles</i>	2020	2019
Obligations to the public		
Demand deposits	25,338,054	18,404,285
Savings deposits	21,831,740	17,239,084
Time deposits	17,689,199	18,913,066
Other obligations	69,414	103,543
	64,928,407	54,659,978
Deposits from financial system entities:		
Time deposits	987,542	1,094,989
Demand deposits	647,200	353,260
Savings deposits	70,138	51,056
	1,704,880	1,499,305
	66,633,287	56,159,283

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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 June 30, 2020 and as of December 31, 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
Savings 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	1.50 – 2.50	0.60 – 1.75	1.50 – 2.50	0.60 – 1.75

12. Borrowings and Financial Obligations

As of June 30, 2020 and December 31, 2019, this caption comprises the following:

<i>In thousands of soles</i>	2020	2019
Borrowings and financial obligations:		
Foreign financial entities (a)	3,397,522	2,980,024
MIVIVIENDA – Crédito MIHOGAR Program – Local Financial System (b)	519,047	539,802
Corporación Financiera de Desarrollo – COFIDE (c)	203,962	8,070
Accrued interest payable	27,656	27,524
Foreign financial entities	-	331,400
	4,148,187	3,886,820
Securities and bonds: (d)		
Corporate bonds	3,467,101	3,306,077
Subordinated bonds	1,740,446	1,589,292
Negotiable certificates of deposits	330,775	332,359
Finance lease bonds	158,000	358,000
Notes (debt instruments)	111,878	129,635
Accrued interest payable	74,291	76,613
	5,882,491	5,791,976
	10,030,678	9,678,796

Certain loan agreements include standard clauses of compliance with financial ratios, use of funds criteria and other administrative matters. In management's opinion, as of June 30, 2020 and December 31, 2019, these clauses are being adequately complied with and do not represent any restriction on the BBVA Perú Group's operations.

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- (a) As of June 30, 2020 and December 31, 2019, the BBVA Perú Group's borrowings with foreign financial entities accrued interest at an annual average rate ranging from Libor +0.52 and 7.4% (Libor +0.35% to 7.4% as of December 31, 2019):

<i>In thousands</i>	2020		2019		Maturity
	US\$	S/	US\$	S/	
Deutsche Bank (i)	350,295	1,239,342	348,328	1,154,357	November 2020
Credit Suisse (ii)	200,000	707,600	200,000	662,800	October 2040
Sumitomo Bank, NY	110,000	389,180	-	-	October 2020 and May 2021
Wells Fargo Bank	100,000	353,800	100,000	331,400	May 2022
Toronto Dominion Bank	80,000	283,040	-	-	March and April 2021
Citibank NY	50,000	176,900	150,000	497,100	November 2021
ICO - Instituto de Crédito	35,000	123,830	100,895	334,367	December 2021, April 2022 and August 2022
The Bank of New York	35,000	123,830	-	-	September 2020
	960,295	3,397,522	899,223	2,980,024	
Accrued interest payable	7,125	25,208	7,380	24,457	
	967,420	3,422,730	906,603	3,004,481	

- (i) Loan with a nominal amount of US\$ 350 million, which accrues interest at an annual fixed rate of 5.50% and has maturity in November 2020. Fair value of this loan is hedged by IRS, which as of June 30, 2020 and December 31, 2019, have resulted in accumulated loss of S/ 2 million (S/ 4 million accumulated gains as of December 31, 2019).
- (ii) It corresponds to a subordinated loan in foreign currency arranged at 7.38% annual interest rate. Pursuant to SBS Resolution 975-2016, this loan will continue to be considered as Tier 1 Regulatory Capital, considering the adequacy period established by the rules of subordinated debt, effective since February 2016.

As of June 30, 2020 and December 31, 2019, the BBVA Perú Group holds in accounts payable a balance of S/ 9 million, and S/ 10 million, corresponding to deferred issuance expenses, respectively.

- (b) As of June 30, 2020, these debts mainly include resources obtained for the social housing program MI VIVIENDA (MI HOGAR credit) for S/ 444 million in local currency and US\$ 1 million in foreign currency (S/ 448 million in local currency and US\$ 1 million in foreign currency as of December 31, 2019). As of June 30, 2020 and December 31, 2019, this loan accrues interest at an annual effective rate of 7.75% in U.S. dollars and 6.25% in soles on the principal plus the Constant Adjustment index (hereinafter 'VAC', for its Spanish acronym), and has different maturities until June 2040 and December 2039, respectively.

As of June 30, 2020 and December 31, 2019, borrowings with Fondo MIVIVIENDA are secured with mortgage loan portfolio up to S/ 448 million and S/ 453 million, respectively (note 6). These borrowings consider specific arrangements about how these funds should be used, financial conditions that the borrower must meet, as well as other administrative matters.

- (c) As of June 30, 2020, includes a balance of S/ 197 million that corresponds to the Fondo de Apoyo Empresarial (FAE) that is managed by COFIDE.

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(d) As of June 30, 2020 and as of December 31, 2019 the detail of securities and bonds is as follows:

Program	Authorized amount	Currency	Original amount placed	2020	2019	Maturity
Corporate bonds:						
1st issuance, single series - Fourth program	USD 100 million	PEN	40,000	40,000	40,000	August 2020
2nd issuance, series A - Fourth program		PEN	80,000	80,000	80,000	August 2020
2nd issuance, series A - Fifth program	USD 250 million	PEN	150,000	150,000	150,000	December 2026
5th unique issuance, series -Fifth program		PEN	200,000	-	-	April 2019
2nd issuance, series A - Sixth program	USD 250 million	PEN	150,000	150,000	150,000	June 2021
3rd issuance, series A - Sixth program		PEN	350,000	350,000	350,000	November 2020
1st issuance, series A - Seventh program	USD 1,000 million	PEN	132,425	132,425	132,425	June 2021
1st issuance, series B - Seventh program		PEN	69,435	69,435	69,435	June 2021
2nd issuance, series A - Seventh program		PEN	100,000	100,000	100,000	July 2023
2nd issuance, series B - Seventh program		PEN	73,465	73,293	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
1st program, international issuance (i)	USD 500 million	USD	500,000	1,819,878	1,658,854	August 2022
				3,467,101	3,306,077	
Subordinated bonds:						
2nd issuance, series A - First program	USD 50 million or S/ 158.30 million	USD	20,000	70,507	66,030	May 2027
3rd issuance, series A - First program		PEN	55,000	81,056	79,959	June 2032
2nd issuance, series A - Second program	US\$ 100 million	PEN	50,000	72,167	71,190	November 2032
3rd issuance, series A - Second program		USD	20,000	70,760	66,280	February 2028
4th issuance, single series - Second program		PEN	45,000	62,679	61,831	July 2023
5th issuance, single series - Second program		PEN	50,000	68,744	67,814	September 2023
6th issuance, series A - Second program		PEN	30,000	40,536	39,987	December 2033
1st unique issuance, series - Third program	US\$ 55 million	USD	45,000	159,210	149,130	October 2028
First program, international issuance – single series (ii)	US\$ 300 million	USD	300,000	1,114,787	987,071	September 2029
				1,740,446	1,589,292	
Finance lease bonds:						
1st issuance, series A - Second program	US\$ 250 million	PEN	158,000	158,000	158,000	December 2020
1st issuance, series C - Second program		PEN	200,000	-	200,000	January 2020
				158,000	358,000	
Negotiable certificates of deposits				330,775	332,359	
Notes (III)						
2nd issuance, notes 2012-C y 2012-D	US\$ 235 million	USD	235,000	111,878	129,635	June 2022
				111,878	129,635	
Accrued interest payable				74,291	76,613	
				5,882,491	5,791,976	

(i) In August 2012, the Bank carried out an international issuance of corporate bonds with a nominal amount of US\$ 500 million, at an annual fixed rate of 5%, maturing in August 2022; the principal will be fully paid off upon maturity. Likewise, such issuance has a fair value hedged through an IRS, which has resulted in accumulated loss of S/ 51 million as of June 30, 2020 (S/ 2 million as of December 31, 2019 of accumulated losses).

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- (ii) In September 2014, the Bank carried out an international issuance of subordinated bonds with a nominal amount of US\$ 300 million, at an annual fixed rate of 5.25%, maturing in September 2029. The principal will be fully paid off upon maturity. Likewise, such issuance has a fair value hedged through an IRS, which has resulted in accumulated losses of S/ 59 million as of June 30, 2020 (S/ 2 million as of December 31, 2019 of accumulated earnings).
- (iii) The notes issued in June 2012, which amounts to US\$ 31 million as of as of June 30, 2020 (US\$ 39 million as of December 31, 2019), includes financing for US \$ 11 million, maturing in June 2022, which has a hedge of cash flow through a "interest rate swap - IRS" (Note 7(ii)). Likewise, it includes financing for US \$ 20 million (US \$25 million as of December 31, 2019), agreed at a fixed annual rate of 5%, with maturity in June 2022, which has a fair value hedge through an "interest rate swap - IRS", which as of June 30, 2020 has generated accumulated losses of S/ 0.6 million (S/ 0.5 million as of December 31, 2019 of accumulated earnings).

These financings are guaranteed by the present and future flows generated by the electronic payments of clients (Diversified payments rights - DPR's). They also include compliance clauses related to the Bank's financial ratios, and other specific conditions related to the assigned flows, which the Management considers to have complied with as of June 30, 2020 and December 31, 2019.

As of June 30, 2020 and December 31, 2019 corporate bonds do not have specific guarantees and accrue interest at annual that fluctuate between 3.9% and 7.5% rates in local currency (between 4.1% and 7.5% as of December 31, 2019) and an annual rate of 5% in foreign currency (5% as of December 31, 2019).

Subordinated bonds were issued according to the conditions set forth in the Banking Law, and accrue interest at annual rates that fluctuate between the VAC plus a "spread" and 5.6% for local currency, and between 5.3% and 6.5% for foreign currency as of June 30, 2020 and December 31, 2019.

As of June 30, 2020 the financial lease bonds accrue interest at annual rates that fluctuate between 4.6% in local currency (between 4.6% and 6% as of December 31, 2019) and are backed by credit operations in the form of financial leasing that have been financed with such bonds.

As of June 30, 2020 and December 31, 2019, the Bank maintains accounts payable balance of S/ 6 million and S/ 10 million, respectively, corresponding to deferred issuance expenses.

13. Provisions and Other Liabilities

As of June 30, 2020 and December 31, 2019, this caption comprises the following:

<i>In thousands of soles</i>	2020	2019
Accounts payable		
BCRP repurchase agreements (a)	6,832,359	3,545,845
Accounts payable to suppliers	298,903	276,410
Other accounts payable and current tax (IGV and income tax)	75,871	63,530
Premiums to deposit insurance fund, contributions and obligations with tax collection entities	135,422	128,329
Interest payable	13,140	68,766
Dividends, profit sharing and remunerations payable	53,524	134,086
	7,409,219	4,216,966
Other liabilities		
Transactions in progress (b)	1,960,197	1,097,046
Deferred income and other	20,242	24,990
	1,980,439	1,122,036
Provisions		
Provision for contingent loans	229,740	226,175
Provision for lawsuits, litigations and other contingencies (c)	219,908	218,680
Other provisions	358,366	315,770
	808,014	760,625
	10,197,672	6,099,627

- (a) It corresponds to the balances of repurchase agreement operations over foreign currency, loan portfolio reporting operations and loan portfolio reporting operations from Programa Reactiva Perú, with BCRP.
- (b) Transactions in progress are mainly those carried out during the last days of the month and are reclassified in the following month to their definitive accounts of the consolidated statement of financial position. These transactions do not affect the consolidated statement of income of the BBVA Peru Group. As of June 30, 2020, liability transactions in progress mainly include S/ 1,623 million related to Treasury operations (S/ 1,028 million as of December 31, 2019).
- (c) BBVA Peru Group has pending several lawsuits, litigation and other proceedings related to the activities it develops, which in the Management's opinion and its legal advisors will not result in additional liabilities.

14. Equity

A. Regulatory capital and legal limits

The Banking Law established that the regulatory capital shall not be lower than 10% of the total risk weighted assets and contingent loans for credit, market and operational risks, which are calculated by the Bank and the EDPYME using the standard method for calculating the amount of regulatory capital requirements for credit and market risk. In regards of operational risk, the Bank uses the alternative standardized approach, while the EDPYME uses the basic indicator approach.

As of June 30, 2020, on an individual basis, the regulatory capital of the Bank and the EDPYME, calculated according to current regulatory requirements is S/ 11,242 million and S/ 87 million respectively (S/ 10,776 million and S/ 85 million respectively as of December 31, 2019). The regulatory capital is used to calculate

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certain limits and restrictions applicable to all Banks and financial institutions in Peru, which Management considers to have fulfilled.

As of June 30, 2020, assets and contingent loans weighted by credit, market and operational risks of the Bank and the EDPYME, in accordance with current legal standards, amount to S/ 79,901 million and S/ 506 million, respectively (S/ 76,706 million y S/ 613 million, respectively, as of December 31, 2019).

As of June 30, 2020 the capital adequacy ratio by credit, market and operational risk of the Bank and EDPYME are 14.07% and 17.23%, respectively (14.05% and 13.82%, respectively, as of December 31, 2019).

As of June 30, 2020 the additional regulatory capital requirement of the Bank and EDPYME are S/ 1,423 million and S/ 8 million, respectively (S/ 1,604 million and S/ 9 million, respectively, as of December 31, 2019, respectively).

B. Share Capital

As of June 30, 2020, the Bank's authorized, issued and fully paid-in capital is represented by 5,885,209 thousand of outstanding ordinary shares with a par value of one Sol (S/ 1.00) each. As of June 30, 2020, 643,960 thousand common shares are pending registration for the capitalization of retained earnings.

At Obligatory General Shareholders' Meeting, held on May 11, 2020 and March 27, 2019, an agreement was reached to increase the share capital by S/ 644 million and S/ 517 million, respectively, through the capitalization of retained earnings.

Shareholding structure of the Bank's share capital as of June 30, 2020 and as of December 31, 2019 is as follows:

Interest	2020		2019	
	Number of shareholders	Interest %	Number of shareholders	Interest %
Up to 1	7,782	2.99	7,664	3.04
From 1.01 to 5	4	4.77	3	4.72
From 45.01 to 100	2	92.24	2	92.24
	7,788	100.00	7,669	100

C. Reserves

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

At Obligatory General Shareholders' Meeting, held on May 11, 2020 and March 27, 2019 an agreement was reached to make a legal reserve in an amount equivalent to 10% of profits of year 2019 (S/ 161 million) and 2018 (S/ 148 million), respectively.

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D. Adjustments to equity

As of June 30, 2020, adjustments to equity include S/ 66.5 million for unrealized gains on available-for-sale investment (S/ 36.3 million of unrealized gain as of December 31, 2019), S/ 3.9 million unrealized loss from the valuation of the cash flow hedge derivative (S/ 4.4 million unrealized loss as of December 31, 2019), and S/ 9.1 million for unrealized losses on the actuarial reserve calculation for long-term employees, for both periods.

E. Retained earnings

At Obligatory General Shareholders' Meeting, held on May 11, 2020 and March 27, 2019 an agreement was reached to approve the capitalization of retained earnings in an amount of S/ 644 and S/ 517 million and dividends distribution amounting to S/ 563 and S/ 812 million, respectively. Also, at the shareholders meeting, it was approved to maintain S/ 241 million as retained earnings.

15. Interest Income

As of June 30, 2020 and 2019, this caption comprises the following:

<i>In thousands of soles</i>	2020	2019
Direct loan portfolio	2,055,653	2,179,038
Investment available for sale	50,542	56,715
Investment at fair value through profit or loss	38,076	53,969
Cash and due from banks	25,903	84,231
Hedging operations	5,400	-
Interbank Funds	229	623
Other Financial Income	2,221	2,109
	2,178,024	2,376,685

16. Interest Expenses

As of June 30, 2020 and 2019, this caption comprises the following:

<i>In thousands of soles</i>	2020	2019
Obligations to the public	(287,683)	(337,113)
Borrowings and financial obligations	(245,964)	(250,289)
Accounts payable	(37,424)	(29,598)
Deposits from financial system entities	(20,311)	(34,058)
Interbank funds	(3,117)	(5,573)
Hedging operations	-	(19,188)
Other financial expenses	(8,335)	(7,706)
	(602,834)	(683,525)

17. Income from Financial Services, Net

As of June 30, 2020 and 2019, this caption comprises the following:

<i>In thousands of soles</i>	2020	2019
Income		
Income from indirect loans	101,107	102,047
Income from credit card fees	86,646	131,153
Income from commissions from transfers	73,046	80,473
Income from commissions on collection services	69,246	64,748
Income from services and maintenance of checking accounts	25,065	24,497
Income from online banking services for companies	24,479	21,666
Income from advisory services	5,189	10,402
Income from technical and legal studies	4,495	5,664
Income from cash services	4,258	7,851
Income from trust and commission of trustee	718	623
Other income from services	129,195	146,711
	523,444	595,835
Expenses		
Visa and Mastercard expenses	(59,602)	(67,031)
Deposit insurance fund premiums	(41,725)	(36,373)
Customer loyalty programs	(31,914)	(47,914)
Transfers	(6,803)	(5,086)
Foreign exchange currency spot transaction	(3,494)	(3,821)
Checking account maintenance expenses	(2,003)	(2,146)
Other expenses for services	(31,386)	(41,519)
	(176,927)	(203,890)
	346,517	391,945

18. Results from Financial Operations

As of June 30, 2020 and 2019, this caption comprises the following:

<i>In thousands of soles</i>	2020	2019
Profit from exchange difference	335,010	240,575
Available for sale investment	21,174	15,710
Trading derivatives	(72,880)	37,401
Investments at fair value through profit or loss	(3,816)	25,060
Loss (gain) on shares	(1,696)	4,050
Others	796	17,859
	278,588	340,655

19. Administrative Expenses

As of June 30, 2020 and 2019, this caption comprises the following:

<i>In thousands of soles</i>	2020	2019
Personnel expenses and Directory	(423,382)	(406,591)
Expenses for services provided by third parties	(379,709)	(372,899)
Taxes and contributions	(24,591)	(24,299)
	(827,682)	(803,789)

20. Earnings per Share

The table below shows the computation of the weighted average of shares and earnings per shares as of June 30, 2020 and 2019:

<i>In thousands</i>	Shares outstanding(*)	Weighted average number of basic shares	Effective days to period- end	Weighted average number of common shares
2020				
Balance as of January 1, 2020	5,885,209	5,885,209	180	5,885,209
Capitalization of year 2019	-	643,960		643,960
Balance as of June 30, 2020	5,885,209	6,529,169		6,529,169
2019				
Balance as of January 1, 2019	5,368,602	5,368,602	180	5,368,602
Capitalization of year 2018	516,607	516,607	180	516,607
Capitalization of year 2019	-	643,960	180	643,960
Balance as of June 30, 2019	5,885,209	6,529,169		6,529,169

(*) As of June 30, 2020, 643,960 thousand common shares are pending registration for the capitalization of retained earnings.

As of June 30, 2020 and 2019, earnings per share calculated based on the average number of shares amounted to S/ 0.0685 and S/ 0.1207, respectively.

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21. Related Party Transactions

As of June 30, 2020 and December 31, 2019, the consolidated financial statements of Grupo BBVA Peru include transactions with the related party, which, as established by IAS 24 and SBS regulations, comprise the parent company, related parties, associates, other related parties, and BBVA Perú group's directors and key management. All related party transactions are conducted in accordance with market conditions applicable to non-related third parties.

(a) The balances of the consolidated statement of financial position maintained by Grupo BBVA Peru with related parties as of June 30, 2020 and as of December 31, 2019 are as follows:

<i>In thousands of soles</i>	2020					2019				
	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	157,433	-	-	-	157,433	126,460	-	-	-	126,460
Loan portfolio, net	-	486,823	18,326	28,611	533,760	-	520,561	11	28,970	549,542
Trading derivatives	347,399	24	-	-	347,423	282,154	793	-	-	282,947
Other assets, net	389,695	40,372	-	-	430,067	30,227	36,154	-	-	66,381
Total assets	894,527	527,219	18,326	28,611	1,468,683	438,841	557,508	11	28,970	1,025,330
Liabilities:										
Obligations to the public and deposits from financial system entities	280,815	1,053,446	574	92,172	1,427,007	223,118	458,269	875	157,338	839,600
Borrowings and financial obligations	-	-	-	-	-	-	6,000	-	-	6,000
Trading derivatives	605,970	273	-	-	606,243	246,544	581	-	-	247,125
Provisions and other liabilities	207,313	45,240	-	42	252,595	44,902	9,613	-	21	54,536
Total liabilities	1,094,098	1,098,959	574	92,214	2,285,845	514,564	474,463	875	157,359	1,147,261
Off-balance sheet accounts :										
Indirect loans	-	354,241	313	1,468	356,022	-	250,655	292	1,326	252,273
Derivative financial instruments	20,031,328	32,809	-	-	20,064,137	16,245,167	144,097	-	-	16,389,264

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

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(b) The effects of transactions with related parties in the consolidated income statement of the bank for the period ended of June 30, 2020 and as of December 31, 2019 is as follows:

	2020					2018				
	Controlling party	Related parties (*)	Associates	Key staff and directors	Total	Controlling party	Related parties (*)	Associates	Key staff and directors	Total
<i>In thousands of soles</i>										
Interest income	-	1,125	-	124	1,249	-	1,282	-	154	1,436
Interest expenses	-	(4,367)	-	(146)	(4,513)	-	(5,102)	-	(341)	(5,443)
	-	(3,242)	-	(22)	(3,264)	-	(3,820)	-	(187)	(4,007)
Income from financial services	2,639	219	-	28	2,886	-	234	-	12	246
Expenses in financial services	-	-	-	-	-	-	(4)	-	-	(4)
	2,639	219	-	28	2,886	-	230	-	12	242
Net profit or loss from financial operations	(4,601)	(944)	-	1	(5,544)	-	-	-	-	-
Administrative expenses	(13,870)	(35,380)	-	-	(49,250)	(8,770)	(41,203)	-	-	(49,973)
Other income and expenses, net	-	190	-	-	190	-	103	-	1	104
	(18,471)	(36,134)	-	1	(54,604)	(8,770)	(41,100)	-	1	(49,869)

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

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

As of June 30, 2020 and December 31, 2019, Directors, officers and employees of the Bank have performed credit operations allowed by the Banking Law, which regulates and establishes certain limits to transactions with Directors, officers and employees of banks in Peru. As of June 30, 2020 and December 31, 2019, direct loans to employees, directors, officers and key personnel amounted to S/ 447 million and S/ 472 million, respectively.

Likewise, as of June 30, 2020 and 2019, key management personnel and board of directors' compensation amounted to S/ 6 million, for both periods.

22. Subsequent Events

The Bank is not aware of any significant subsequent events occurring between the closing date of these consolidated financial statements and the authorization date of their issuance that may affect them significantly with the exception of the following:

On July 15, 2020, the Board of Directors of BBVA Peru -in exercise of the powers delegated by the mandatory annual shareholders meeting held on May 11, 2020, has approved the Framework Program for International Issues Subordinated Notes Tier II, under Rule 144 A and / or Regulation S of the Securities Act of 1993, up to the amount of USD 600,000,000 (Six hundred million and 00/100 dollars of the United States of America), and for a maximum term of fifteen (15) years.