

BANCO BBVA PERÚ AND SUBSIDIARIES

Consolidated Financial Statements

September 30, 2020 and December 31, 2019

(TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN SPANISH)

BANCO BBVA PERÚ AND SUBSIDIARIES

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BANCO BBVA PERÚ AND SUBSIDIARIES

Consolidated Statement of Financial Position

As of September 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	5	22,402,101	14,816,709	Obligations to the public and deposits from financial system entities	12	67,552,017	56,159,283
Interbank funds		-	150,137	Interbank funds		150,001	150,016
Investments at fair value through profit or loss and available-for-sale	6	11,463,587	6,639,844	Borrowings and financial obligations	13	9,830,967	9,678,796
Loan portfolio, net	7	66,711,648	56,398,279	Trading derivatives	8	954,361	490,934
Trading derivatives	8	1,048,075	567,686	Hedging derivatives	8	32,243	19,777
Hedging derivatives	8	101,974	4,611	Provisions and other liabilities	14	17,150,731	6,099,627
Realizable assets and asset seized and recovered through legal actions		152,827	187,562	Total liabilities		95,670,320	72,598,433
Investments in associates	9	4,115	15,602	Equity			
Property, furniture and equipment, net	10	960,490	988,104	Share Capital	15	6,529,169	5,885,209
Deferred income tax		639,948	439,139	Reserves		-	-
Other assets, net	11	1,414,026	1,569,911	Adjustments to equity		1,831,131	1,669,835
Goodwill		-	1,316	Retained earnings		83,642	22,816
Total assets		104,898,791	81,778,899	Total equity		9,228,471	9,180,466
Risks and contingent commitments		32,250,093	29,978,308	Total liabilities and equity		104,898,791	81,778,899
				Risks and contingent commitments		32,250,093	29,978,308

The accompanying notes are part of these consolidated financial statements.

BANCO BBVA PERÚ AND SUBSIDIARIES

Consolidated Statement of Income

For the nine-month period ended September 30, 2020 and 2019

<i>In thousands of soles</i>	<i>Note</i>	2020	2019
Interest income	17	3,254,857	3,602,213
Interest expenses	18	(847,276)	(1,034,778)
Gross financial income		2,407,581	2,567,435
Provisions for direct loans, net of recoveries		(1,160,779)	(566,305)
Net financial income		1,246,802	2,001,130
Income from finance services, net	19	572,568	604,431
Financial income net of revenue and expenses for financial services		1,819,370	2,605,561
Profit or loss from financial operations	20	464,432	536,830
Operating margin		2,283,802	3,142,391
Administrative expenses	21	(1,260,849)	(1,229,058)
Depreciation and amortization		(147,218)	(128,140)
Net operating margin		875,735	1,785,193
Valuation of assets and provisions		(155,324)	(61,330)
Net Operating profit or loss		720,411	1,723,863
Other income and expenses, net		25,654	2,668
Profit or loss before income tax		746,065	1,726,531
Income tax		(195,727)	(496,884)
Net profit or loss		550,338	1,229,647
Basic and diluted earnings per share in soles	22	0.0843	0.1883
Weighted average number of shares outstanding (in thousands of shares)	22	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 nine-month period ended September 30, 2020 and 2019

<i>In thousands of soles</i>	2020	2019
Net profit or loss	550,338	1,229,647
Other comprehensive income:		
Unrealized gains on available-for-sale investments	57,438	46,395
Unrealized gains (loss) on cash flow hedges	12,801	(1,308)
Other comprehensive income for investment in associates	58	(43)
Income tax related to the components of other comprehensive income	(9,471)	1,452
Other comprehensive income for the period, net of income tax	60,826	46,496
Total comprehensive income for the period	611,164	1,276,143

The accompanying notes are part of these consolidated financial statements.

BANCO BBVA PERÚ AND SUBSIDIARIES

Consolidated Statement of Changes in Shareholders' Equity
For the nine-month period ended September 30, 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 15E)	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	-	-	-	-	1,229,647	1,229,647
Other comprehensive income:						
Unrealized gain on available-for-sale investments	-	-	-	47,461	-	47,461
Unrealized loss on cash flow hedging derivatives	-	-	-	(922)	-	(922)
Other comprehensive income for investment in associates	-	-	-	(43)	-	(43)
Total comprehensive income for the period		-	-	46,496	1,229,647	1,276,143
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	-	-	147,800	-	(147,602)	198
Balance as of September 30, 2019	5,885,209	5,885,209	1,669,835	38,500	1,223,197	8,816,741
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	-	-	-	-	550,338	550,338
Other comprehensive income:						
Unrealized gain on available-for-sale investments	-	-	-	51,743	-	51,743
Unrealized gain on cash flow hedging derivatives	-	-	-	9,025	-	9,025
Other comprehensive income for investment in associates	-	-	-	58	-	58
Total comprehensive income for the period		-	-	60,826	550,338	611,164
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	-	-	161,296	-	(160,990)	306
Balance as of September 30, 2020	6,529,169	6,529,169	1,831,131	83,642	784,529	9,228,471

The accompanying notes are part of these consolidated financial statements.

BANCO BBVA PERÚ AND SUBSIDIARIES

Consolidated Statement of Cash Flows

For the nine-month period ended September 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	550,338	1,229,647
Adjustments	(1,932,623)	750,901
Depreciation and amortization	147,218	128,118
Impairment of property, furniture and equipment and intangible assets	20,113	-
Impairment	24,252	-
Provisions	1,271,738	628,559
Other adjustments	(3,395,944)	(5,776)
Net changes in assets and liabilities:	12,312,772	782,724
Loan Portfolio	(8,624,879)	(4,959,618)
Available-for-sale investments	(539,336)	(399,885)
Accounts receivable and others	542,611	(2,484,457)
Non-subordinated financial liabilities	9,229,487	5,488,180
Accounts payable and others	11,704,889	3,138,504
Profit or loss for the period after net changes in assets, liabilities and adjustments	10,930,487	2,763,272
Income tax paid	(481,657)	(968,340)
Net cash and cash equivalents from operating activities	10,448,830	1,794,932
Cash flows from investing activities:		
Purchases in shares	-	(40)
Sales on intangible assets and property, furniture and equipment	-	-
Purchases on intangible assets and property, furniture and equipment	(114,176)	(135,130)
Other inflows related to investing activities	56,156	70,409
Net cash and cash equivalents used in investing activities	(58,020)	(64,761)
Cash flows from financing activities:		
Dividends paid	(563,053)	(811,081)
Other inflows related to financial activities	183,994	120,000
Other outflows related to financial activities	(120,000)	(300,000)
Net cash and cash equivalents used in financing activities	(499,059)	(991,081)
Net increase of cash and cash equivalent before the effect of exchange rate fluctuations	9,891,751	739,090
Effect of exchange rate fluctuations on cash and cash equivalents	2,735,831	(694,521)
Net Increase in cash and cash equivalents	12,627,582	44,569
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	28,390,140	15,370,035
Funds pledge as collateral	1,888,473	2,846,241
Investments with maturities or trading of less than 90 days	(7,876,512)	(4,953,635)
CASH AND DUE FROM BANKS AS PER THE STATEMENT OF CONSOLIDATED FINANCIAL POSITION	22,402,101	13,262,641

The accompanying notes are part of these consolidated financial statements.

BANCO BBVA PERÚ AND SUBSIDIARIES

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

1. Reporting Entity and Business activity

A. Reporting Entity

Banco BBVA PERÚ S.A. (hereinafter referred to as "the Bank"), is a subsidiary of BBVA Holding Perú S.A.C., which holds 46.12% of its share capital as of September 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.

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.

As of September 30, 2020 and December 31, 2019, the Bank develops activities through a national network of 332 offices. As of September 30, 2020 and December 31, 2019, the total number of employees of BBVA Peru Group S.A. is 6,062 and 6,286, respectively.

State of National Emergency

On March 11, 2020, the World Health Organization (WHO) declared the new coronavirus strain COVID-19 a pandemic and recommended containment and mitigation measures globally. On March 15, 2020, through Supreme Decree No. 044-2020-PCM, the Peruvian Government declared State of National Emergency and mandatory social isolation due to the serious circumstances that affect the life of the Nation as a result of the outbreak of the new coronavirus (COVID-19).

The bank, as a fundamental actor in the country's economy, did not stop its activities, even during the quarantine, to attend and support financing government programs and distribute social support initiatives, such as bonds.

From the first moment of the pandemic, the Bank carried out a series of containment actions that led to the formation of a multidisciplinary team in charge of designing and implementing the strategy against the biosanitary crisis, whose main objective is to protect the health of collaborators and clients throughout Peru.

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For this purpose, this multidisciplinary team designed a health strategy, integral implementation of infrastructure and management of the demand of the offices, based on the new reality posed by the pandemic. Likewise, a telework strategy was implemented, as well as for employees considered vulnerable due to pre-existing medical conditions.

In the medical field, the Bank designed a strategy based on the dissemination of preventive knowledge. With the advice of renowned experts and the participation of our own medical team, medical protocols were developed. Likewise, a team of 11 doctors was set up responsible for assisting and guiding employees, through a policy of national tests and medical consultations via telephone. Similarly, a training program on prevention was designed and implemented, which was provided to all bank employees nationwide, through virtual talks throughout the country.

C. Approval of the consolidated financial statements

The Bank's management approved the consolidated financial statements as of September 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.

- "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.

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- "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.

E. Reclassifications

Certain items in the consolidated financial statements as of September 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 nine-month period ended September 30, 2019

<i>In thousands of soles</i>	Balances without reclassification	Reclassification	Reclassified balances
Adjustments			
Other adjustments	4,096,477	(4,102,253)	(5,776)
Variation in assets and liabilities:			
Non subordinated, Financial liabilities	1,370,259	4,117,921	5,488,180
Accounts payable and others	3,154,172	(15,668)	3,138,504

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Notes to the Consolidated Financial Statements
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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 September 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	104,931	81,722	95,688	72,534	9,243	9,188
BBVA Bolsa Sociedad Agente de Bolsa S.A.	42	41	24	22	18	19
BBVA Asset Management S.A. SAF	39	43	3	4	36	39
BBVA Sociedad Titulizadora S.A.	6	6	1	1	5	5
Inmuebles y Recuperaciones BBVA S.A.	172	168	3	4	169	164
Continental DPR Finance Company	114	145	114	145	-	-
BBVA Consumer Finance Edpyme	413	539	310	447	103	92
Forum Comercializadora S.A.	2	2	-	-	2	2
Forum Distribuidora S.A.	115	183	90	160	25	23

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3. Accounting Principles and Practices

The accounting principles and practices as of September 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:

In the context of the National State of Emergency (Note 1.B), the 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.

(e) 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 August 31, 2020.

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Provision for credit risk

The SBS exceptionally established to apply a provision rate for credit risk of 0% to the part of the credit covered by the Reactiva Peru guarantee and FAE-MYPE.

As of September 30, 2020, the financial statements include the impacts of the measures that were in force as of that date.

4. Balances in foreign currency

The consolidated statement of financial position includes balances of foreign currency transactions, mainly in US dollars (US\$), which are recorded in soles (S/) at the exchange rate established by SBS. As of September 30, 2020 and December 31, 2019, the exchange rate was US\$ 1 = S/ 3.597 and US\$ 1 = S/ 3.314, respectively.

Foreign currency transactions within the country and international trade transactions referred to the concepts authorized by Central Reserve Bank of Peru (BCRP for its Spanish acronym) are traded in an interbank foreign exchange market. As of September 30, 2020, the buy and sell exchange rates used were US\$ 1 = S/ 3.595 buy and US\$ 1 = S/ 3.599, respectively (US\$ 1 = S/ 3.311 and US\$ 1 = S/ 3.317, sell, as of December 31, 2019).

As of September 30, 2020 and December 31, 2019, the balances in foreign currency stated in thousands of US dollars are summarized as follows:

	2020			2019		
	US dollars	Other currencies	Total	US dollars	Other currencies	Total
<i>In thousands of US dollars</i>						
Assets						
Cash and due from banks	2,607,062	228,432	2,835,494	3,369,079	51,194	3,420,273
Interbank funds	-	-	-	45,002	-	45,002
Investments at fair value through profit or loss and available-for-sale	930,476	175,867	1,106,343	242,063	-	242,063
Loan portfolio	4,679,797	28	4,679,825	5,436,511	1,686	5,438,197
Other assets	208,503	21,705	230,208	302,813	17,513	320,326
	8,425,838	426,032	8,851,870	9,395,468	70,393	9,465,861
Liabilities						
Obligations to the public and deposits from financial system entities	7,075,908	59,387	7,135,295	7,123,878	60,805	7,184,683
Borrowings and financial obligations	1,920,126	-	1,920,126	2,011,361	-	2,011,361
Provisions and other liabilities	232,878	197,444	430,322	112,123	18,354	130,477
	9,228,912	256,831	9,485,743	9,247,362	79,159	9,326,521
Net liability (asset) position	(803,074)	169,201	(633,873)	148,106	(8,766)	139,340
Derivative financial assets	5,524,033	247,399	5,771,432	3,934,152	286,569	4,220,721
Derivative financial liabilities	4,851,017	424,746	5,275,763	3,970,620	286,354	4,256,974
Net position	(130,058)	(8,146)	(138,204)	111,638	(8,551)	103,087

As of September 30, 2020 and 2019, net gains from foreign exchange differences amounting to S/ 423 million and S/ 442 million, respectively, were recorded under 'profit or loss from financial operations' in the consolidated statement of income. They correspond to the valuation of exchange positions, as well as purchase and sale operations of foreign currency (note 20).

The percentage variation of the exchange rate (sol in relation to the US dollar) was 8.54% and -1.75% as of September 30, 2020 and December 31, 2019, respectively.

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5. Cash and due from banks

<i>In thousands of soles</i>	2020	2019
Central Reserve Bank of Peru (a)	13,700,566	6,256,301
Banks and other foreign financial entities (b)	4,368,101	2,313,270
Cash (a)	2,284,408	2,625,449
BCRP funds pledges as collateral (c)	1,567,610	2,223,584
Other funds pledges as collateral (d)	320,862	33,173
Banks and other local financial entities (b)	83,611	1,319,428
Clearing	76,698	45,005
Other cash and due from banks	245	499
	22,402,101	14,816,709

- (a) As of September 30, 2020 and December 31, 2019 cash and due from banks and deposits in Banco Central de Reserva del Perú (hereinafter 'BCRP') include US\$ 191 million and S/ 1,785 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 September 30, 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 September 30, 2020, the BCRP balances include overnight for a value amounting to S/ 3,645 million (S/ 219 million as of December 31, 2019).

- (b) Correspond mainly to balances in soles and US dollars, as well as in other currencies for smaller amounts, deposited in local and foreign banks, which are freely available and generate interest at market rates.
- (c) As of September 30, 2020 and 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 (Note 14(a)).
- (d) As of September 30, 2020 and December 31, 2019 cash and due from banks includes restricted funds related to transactions with derivative financial instruments for an equivalent of S/ 315 million and S/ 27 million, respectively.

As of September 30, 2020, interest income from cash and due from banks (Note 17) amounted to S/ 32 million and is included in the caption interest income in the consolidated statement of income (S/ 124 million as of September 30, 2019).

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

As of September 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)	4,194,634	2,371,433
Bonds of the Peruvian Public Treasury (b)	764,503	297,690
Mutual funds (e)	26,807	26,331
	4,985,944	2,695,454
Available-for-sale investments:		
U.S. and German Treasury bill (c) / (d)	2,461,724	496,661
BCRP certificates of deposit (a)	2,239,783	1,831,273
Bonds of the Peruvian Public Treasury (b) / (d)	1,433,499	1,470,316
Multilateral Development Bank bonds (e)	146,229	-
Corporate bonds (f)	121,678	117,312
U.S. Treasury bonds	44,254	-
Shares in local companies (g)	29,466	27,818
Shares in foreign companies	1,010	1,010
	6,477,643	3,944,390
	11,463,587	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 September 30, 2020, the annual interest generated by these certificates in local currency fluctuates between 0.24% and 0.30% (between 2.04% and 2.47% in local currency, as of December 31, 2019) and in foreign currency 0.20%.

- (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 September 30, 2020, these bonds accrue interest at annual rates ranging from 0.58% to 5.47% in local currency (between 1.08% and 5.42% as of December 31, 2019) and in foreign currency, the annual rate is 2.34% (2.91% as of December 31, 2019). As of September 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) As of September 30, 2020, the U.S Treasury Bills accrue interest at annual rates that vary between 0.04% and 0.09% (between 1.49% and 2.50% as of December 31, 2019) in foreign currency and have maturities up to March 2021 (March 2020 to December 31, 2019). German Treasury Bills accrue interest at an annual rate of 0.68% in foreign currency and have maturity until October 2020.

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The U.S. Treasury bills include S/ 5 million provision for country risk.

- (d) As of September 30, 2020, the German Treasury Bill and part of global bonds, in foreign currency has a cash flow hedge (note 8(ii)).
- (e) The Multilateral Development Banks bonds include international corporate bonds in foreign currency issued by the Asian Development Bank (ADB) and the European Investment Bank (EIB). As of September 30, 2020, these bonds accrue interest at annual rates that fluctuate between 0.19% and 2.16% in foreign currency and have maturities until June 2021.

As of September 30, 2020, the ADB bonds and part of the EIB bonds, in foreign currency, have a cash flow hedge. (Note 8 (ii)).

- (f) As of September 30, 2020 and December 31, 2019, includes corporate bonds issued by entities of the Peruvian financial system in national and foreign currency.

As of September 30, 2020 and December 31, 2019, these bonds accrue interest at annual rates that fluctuate between 2.79% (3.65% as of December 31, 2019) in local currency and in foreign currency between 1.06% and 1.55% (between 2.16% and 2.67% as of December 31, 2019). As of September 30, 2020 and December 31, 2019, these bonds in local currency have maturity until October 2020 and in foreign currency until April 2023, in both periods.

- (g) As of September 30, 2020 and December 31, 2019, it mainly includes shares of the Bolsa de Valores de Lima (BVL) for S/ 43 million and S/ 27 million respectively. As of September 30, 2020, an impairment of S/ 14 million and S/ 4 million was recorded on investments held in the Bolsa de Valores and Pagos Digitales Peruanos, respectively.
- (h) As of September 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.

As of September 30, 2020, the Bank recorded unrealized net gains from the valuation of investments available for sale (Note 15-D) amounting to S/ 88 million (S/ 36 million as of December 31, 2019).

As of September 30, 2020, the accrued interest of the investment portfolio managed by the Bank (Note 17) amounts to S/ 118 million (S/ 163 million as of September 30, 2019).

7. Loan Portfolio, Net

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

<i>In thousands of soles</i>	2020		2019	
Direct loans:				
Loans	33,591,498	51%	20,251,280	36%
Mortgage loans	12,819,673	19%	12,847,424	23%
Consumer loans	6,426,286	10%	6,700,410	12%
Foreign trade	4,678,988	7%	5,535,077	10%
Finance lease	3,500,150	5%	3,986,476	7%
Project Finance	1,818,540	3%	1,716,350	3%
Factoring	1,215,204	2%	1,492,391	3%
Discounts	841,914	1%	1,186,831	2%
Others	1,587,064	2%	2,247,844	4%
	66,479,317	100%	55,964,083	100%
Past due and under legal collection loans	2,122,672	3%	1,793,133	2%
Refinanced loans	1,614,164	2%	1,248,536	2%
	70,216,153	105%	59,005,752	104%
Plus (less):				
Accrued interest	570,096	1%	362,568	1%
Non-accrued interest	(90,781)	-	(63,032)	-
Provision for direct loan losses	(3,983,820)	(6%)	(2,907,009)	(5%)
	66,711,648	100%	56,398,279	100%
Contingent loans	18,535,642		16,607,497	

As of September 30, 2020 and December 31, 2019, 51% of the direct loans portfolio concentrated approximately 3,645 and 2,313 clients, equivalent to S/ 36,301 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/ 54,392 million as of September 30, 2020 (S/ 41,285 million as of December 31, 2019).

As of September 30, 2020, part of the mortgage loan portfolio guarantees a debt with Fondo MIVIVIENDA – Programa MIHOGAR (Note 13 (b)) for an equivalent of S/ 447 million (S/ 453 million as of December 31, 2019).

As of September 30, 2020, part of the loan portfolio belongs to the Reactiva Perú, Crecer and FAE programs (Note 1.D) with balances of S/ 14,306 million, S/ 19 million and S/ 135 million, respectively. The Reactiva program credits are part of the loan portfolio reporting operations with the BCRP (Note 14 (a)).

As of September 30, 2020, S/ 396 million of the loan portfolio has a cash flow hedge through a currency forward (Note 8 (ii)).

As of September 30, 2020, the BBVA Peru Group has proceeded with the write-off of the impaired loan portfolio for S/ 27 million (S/ 96 million, as of December 31, 2019).

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

Type of transaction (%)	2020		2019	
	Local Currency	Foreign currency	Local Currency	Foreign currency
Loans and discounts	3.64	4.81	7.21	5.19
Mortgages	7.29	6.29	7.52	6.49
Consumer	22.18	22.94	23.57	28.07

As of September 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	17,642,783	25%	11,537,013	20%
Mortgage loans	13,510,635	19%	13,384,264	23%
Large business loans	13,346,889	18%	9,910,587	17%
Corporate	12,068,836	17%	13,231,810	22%
Consumer loans	6,742,109	10%	6,959,035	12%
Small business loans	4,883,783	7%	1,752,997	3%
Public Sector Entities	1,055,841	2%	926,515	2%
Financial System Entities	399,409	1%	806,950	1%
Micro-business loans banks	369,811	1%	107,280	-
Stock brokers	144,549	-	331,300	-
Multilateral development	51,508	-	58,001	-
	70,216,153	100%	59,005,752	100%

As of September 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	20,252,744	29%	20,343,298	35%
Commerce	15,242,526	22%	9,866,544	17%
Manufacture	10,277,050	15%	8,836,261	15%
Real estate, business and rental	5,820,454	8%	4,713,457	8%
Transportation, storage and communications	5,342,508	8%	3,700,744	6%
Agriculture and Livestock	2,349,583	3%	1,815,548	3%
Mining	1,644,118	2%	1,604,248	3%
Construction	1,400,154	2%	898,794	2%
Financial intermediation	998,056	1%	1,801,589	3%
Electricity, Gas and Water	936,298	1%	1,020,874	2%
Others	5,952,662	9%	4,404,395	6%
	70,216,153	100%	59,005,752	100%

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As of September 30, 2020 and December 31, 2019, in accordance with current SBS regulations, the loan portfolio of the BBVA Peru Group is classified by risk as follows:

<i>In thousands of soles</i>	2020						2019					
	Direct	%	Contingent	%	Total	%	Direct	%	Contingent	%	Total	%
Risk category												
Standard	64,027,642	91	17,636,934	96	81,664,577	92	54,440,658	92	15,809,430	95	70,250,088	93
With potential problems	2,135,331	3	404,642	2	2,539,973	3	1,170,438	2	318,155	1	1,488,593	2
Substandard	1,127,637	2	405,387	2	1,533,024	2	938,551	2	392,589	4	1,331,140	2
Doubtful	723,450	1	25,345	-	748,795	1	874,345	1	38,165	-	912,510	1
Loss	2,111,312	3	63,334	-	2,174,646	2	1,518,728	3	49,158	-	1,567,886	2
	70,125,372	100	18,535,642	100	88,661,014	100	58,942,720	100	16,607,497	100	75,550,217	100
Non-accrued interest	90,781				90,781		63,032				63,032	
	70,216,153		18,535,642		88,751,795		59,005,752		16,607,497		75,613,249	

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As of September 30, 2020 and December 31, 2019, the movement of the provision for direct loans losses is as follows:

<i>In thousands of soles</i>	2020	2019
Balances as of January 1, 2020	(2,907,009)	(2,630,194)
Additions debited to profit or loss	(2,020,596)	(1,685,206)
Recovery of provisions	855,816	923,471
Portfolio sale	117,175	378,969
Write-off	39,863	96,166
Foreign exchange differences and other adjustments	(69,069)	9,785
	(3,983,820)	(2,907,009)

As of September 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	(2,020,596)	(1,386,987)
Recovery of provisions	855,816	818,427
Income from recovery of write off portfolio	4,001	2,255
Provisions for direct loans, net of recoveries	(1,160,779)	(566,305)

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 September 30, 2020, the general provision for loans losses includes general voluntary provisions of S/ 1,116 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.

During 2020, the Bank sold a portfolio of S/ 117 million (332 million in 2019). The selling value amounted to S/ 6 million (21 million during 2019) and is presented in 'Profit or loss from financial operations' of the consolidated statement of income.

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As of September 30, 2020, rescheduled loans (Note 2) amount to S/ 15,617 million and is detailed below:

<i>In thousands of soles</i>	2020
Types of credit	
Corporate	313,290
Large business	1,800,012
Medium business	4,767,546
Small business	782,520
Micro-business	6,188
Revolving consumer loans	935,256
Non revolving consumer loans	2,145,371
Home Mortgage	4,866,007
Financial System business	1,079
Total credits rescheduled	15,617,269

Likewise, of the total rescheduled, approximately S/ 2,872 million correspond to interest-free rescheduling (consumer, small and micro-business loans), whose impact is approximately S/ 97 million of lower financial income.

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8. Trading and Hedging Derivatives

As of September 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>	Note	Underlying	Face	Assets	Liabilities
2020	<i>6, 7 y 13</i>				
Trading derivatives					
Currency forwards			26,762,226	269,654	264,613
Interest rate swaps			10,275,262	308,497	423,303
Currency swaps			9,182,799	477,465	263,339
Share options, currency and others			694,458	3,105	3,105
Provision for country risk			-	(10,646)	-
			46,914,746	1,048,075	954,360
Hedging derivatives					
At fair value (i)					
Interest rate swaps		Bond issuance	2,877,600	99,041	-
Interest rate swaps		Borrowings	1,321,898	2,933	-
Cash flows (ii)					
Currency forwards		German Treasury bill	632,532	-	3,764
Currency forwards		Loan Portfolio	396,614	-	14,755
Currency forwards		Global Bond	215,820	-	1,778
Currency forwards		Multilateral Development Bank Bond	110,424	-	5,001
Currency swaps		Peru Global Bond	107,910	-	6,551
Interest rate swaps		Borrowings	35,970	-	395
			5,698,768	101,974	32,243
			52,613,514	1,150,049	986,603

<i>In thousands of soles</i>	Nota	Underlying	Face Value	Assets	Liabilities
2019	<i>6 and 13</i>				
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

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(i) Hedging derivatives at fair value

Interest rate swap – IRS

As of September 30, 2020, the Bank has contracted interest rate swaps (IRS) for a face value equivalent to S/ 4,199 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/ 95million, 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 September 30, 2020 the Bank has contracted a "currency forwards" for a nominal value equivalent to S/ 1,355 million for the hedging of fixed income instruments recorded as available for sale investment (EUR 150 million from German Treasury bill, US\$60 million from US Treasury bill, US\$ 20 million from Asian Development Bank (ADS) bonds and US\$ 10 million from European Investment Bank (EUI) Bonds) and loan portfolio for US\$110 million.

For the German Treasury bill through a "currency forward" the Bank receives a future flow in US dollars and pays a future flow in euros; for the US Treasury bill receives a future flow in soles and pays a future flow in US dollars; for the ASD and EUI Bonds through a "currency forward" the Bank receives a future flow in soles and pays a future flow in US dollars; for the loan portfolio, it receives a future flow in soles and pays a future flow in US dollars; 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/ 3.5 million gain, 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 September 30, 2020, the Bank has contracted a "currency swap - CCS" for a nominal value equivalent to S/ 108 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. During 2020, the variation in the fair value of the CCS amounts to S/ 1.3 million gain, 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 September 30, 2020, the Bank has contracted "interest rate swaps - IRS" for a nominal value equivalent to S/ 36 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. During 2020, the variation in the fair value of the IRS amounts to S/ 0.2 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).

9. Associates

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

<i>In thousands of soles</i>	2020	2019
TFP S.A.C. (a)	4,115	4,532
Compañía Peruana de Medios de Pagos S.A.C. (b)	-	11,070
	4,115	15,602

- (a) As of September 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.
- (b) As of September 30, 2020 and December 31, 2019, the current situation and the decree of the National State of Emergency had an impact on the operations and results of Visanet Peru, for which the Bank recognized losses in said associate.

As of September 30, 2020, the Bank has recognized net losses for participation in associates (Note 20) for S/ 1 million (net gains of S/ 8 million as of September 30, 2019).

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10. 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	-	3,092	29,785	-	1,735	17,526	-	52,138
Dispose through for sales	-	-	(4)	-	-	-	-	(4)
Derecognition of assets and others	-	(192)	(1,486)	-	24	-	-	(1,654)
Transfers	-	(79,623)	-	-	79,623	-	-	-
As of September 30, 2020	118,224	894,057	760,648	8,088	344,782	102,651	255	2,228,705
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	-	18,051	53,470	499	7,864	-	-	79,884
Dispose through for sales	-	-	(4)	-	-	-	-	(4)
Impairment	-	118	-	-	-	-	-	118
Derecognition of assets and others	-	(191)	(1,733)	-	20	-	-	(1,904)
Transfers	-	(16,582)	-	-	16,582	-	-	-
As of September 30, 2020	-	564,956	506,020	7,138	190,101	-	-	1,268,215
Net cost								
Balance as of September 30, 2020	118,224	329,101	254,628	950	154,681	102,651	255	960,490
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.

11. Other Assets, Net

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

<i>In thousands of soles</i>	2020	2019
Other Assets		
Transactions in progress (a)	823,503	1,045,503
Intangible assets, net of amortizations and impairment provision for S/ 227 million (S/ 140 million as of December 31, 2019)	262,078	287,362
Deferred charges (b)	162,374	162,033
IGV tax credit and income tax, net	91,125	30,699
Other accounts receivable	65,035	34,816
Accounts receivable from the sale of goods, services and trust funds	7,583	7,117
Other	2,328	2,381
	1,414,026	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 September 30, 2020 and December 31, 2019, they include mainly the following treasury transactions: i) purchase and sale of currencies for S/ 358 million (S/ 873 million as of December 31, 2019), and ii) sale of securities for S/ 409 million (S/ 136 million as of December 31, 2019).
- (b) As of September 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 September 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/ 6 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.).

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

As of September 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	26,690,216	18,404,285
Savings deposits	23,109,578	17,239,084
Time deposits	16,305,444	18,913,066
Other obligations	94,959	103,543
	66,200,197	54,659,978
Deposits from financial system entities:		
Time deposits	863,256	1,094,989
Demand deposits	414,527	353,260
Savings deposits	74,037	51,056
	1,351,820	1,499,305
	67,552,017	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 September 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
Súper 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 September 30, 2020, of the total deposits and obligations of natural persons, non-profit legal entities and other legal persons, S/ 21,959 million are covered by the Deposit Insurance Fund (S/ 17,685 million as of December 31, 2019) and are obtained from the average daily balances for the month according to SBS Resolution No. 0657-99. The maximum amount subject to coverage per person is S/ 100,777 at the end of September 2020 (S/ 100,661 at the end of December 2019).

13. Borrowings and Financial Obligations

As of September 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)	3,325,734	2,980,024
MIVIVIENDA – Crédito MIHOGAR Program – Local Financial System (b)	481,637	539,802
Corporación Financiera de Desarrollo – COFIDE (c)	190,824	8,070
Accrued interest payable	56,528	27,524
Foreign financial entities	-	331,400
	4,054,723	3,886,820
Securities and bonds (d):		
Corporate bonds	3,369,143	3,306,077
Subordinated bonds	1,757,701	1,589,292
Negotiable certificates of deposits	341,360	332,359
Finance lease bonds	158,000	358,000
Notes (debt instruments)	99,419	129,635
Accrued interest payable	50,621	76,613
	5,776,244	5,791,976
	9,830,967	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 September 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 September 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)	349,586	1,257,461	348,328	1,154,357	November 2020
Credit Suisse (ii)	200,000	719,400	200,000	662,800	October 2040
Sumitomo Bank, NY	110,000	395,670	-	-	October 2020 and May 2021
Wells Fargo Bank	100,000	359,700	100,000	331,400	May 2022
Toronto Dominion Bank	80,000	287,760	-	-	March and April 2021
Citibank NY	50,000	179,850	150,000	497,100	November 2021
ICO - Instituto de Crédito	35,000	125,893	100,895	334,367	August 2022
	924,586	3,325,734	899,223	2,980,024	
Accrued interest payable	15,430	55,503	7,380	24,457	
	940,016	3,381,237	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 September 30, 2020 and December 31, 2019, have resulted in accumulated gains of S/ 1 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 September 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 September 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 September 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 September 2040 and December 2039, respectively.

As of September 30, 2020 and December 31, 2019, borrowings with Fondo MIVIVIENDA are secured with mortgage loan portfolio up to S/ 447 million and S/ 453 million, respectively (note 7). 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 September 30, 2020, includes a balance of S/ 184 million that corresponds to the Fondo de Apoyo Empresarial (FAE) that is managed by COFIDE.

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(d) As of September 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	August 2020
2nd issuance, series A - Fourth program		PEN	80,000	-	80,000	August 2020
2nd issuance, series A - Fifth program	USD 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	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	1,841,920	1,658,854	August 2022
				3,369,143	3,306,077	
Subordinated bonds:						
2nd issuance, series A - First program	USD 50 million or S/ 158.30 million	USD	20,000	71,691	66,030	May 2027
3rd issuance, series A - First program		PEN	55,000	81,125	79,959	June 2032
2nd issuance, series A - Second program	US\$ 100 million	PEN	50,000	72,228	71,190	November 2032
3rd issuance, series A - Second program		USD	20,000	71,940	66,280	February 2028
4th issuance, single series - Second program		PEN	45,000	62,732	61,831	July 2023
5th issuance, single series - Second program		PEN	50,000	68,802	67,814	September 2023
6th issuance, series A - Second program		PEN	30,000	40,570	39,987	December 2033
1st unique issuance, series - Third program	US\$ 55 million	USD	45,000	161,865	149,130	October 2028
First program, international issuance – single series (ii)	US\$ 300 million	USD	300,000	1,126,748	987,071	September 2029
				1,757,701	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				341,360	332,359	
Notes (III)						
2nd issuance, notes 2012-C y 2012-D	US\$ 235 million	USD	235,000	99,419	129,635	June 2022
				99,418	129,635	
Accrued interest payable				50,621	76,613	
				5,776,244	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/ 43 million as of September 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/ 53 million as of September 30, 2020 (S/ 2 million as of December 31, 2019 of accumulated earnings).
- (iii) The notes issued in June 2012, which amounts to US\$ 28 million as of as of September 30, 2020 (US\$ 39 million as of December 31, 2019), includes financing for US \$ 10 million (US\$ 14 million as of December 31, 2019), maturing in June 2022, which has a hedge of cash flow through a "interest rate swap - IRS" (Note 8(ii)). Likewise, it includes financing for US \$ 18 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 September 30, 2020 has generated accumulated losses of S/ 0.5 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 September 30, 2020 and December 31, 2019.

As of September 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 September 30, 2020 and December 31, 2019.

As of September 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 September 30, 2020 and December 31, 2019, the Bank maintains accounts payable balance of S/ 7 million and S/ 10 million, respectively, corresponding to deferred issuance expenses.

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14. Provisions and Other Liabilities

As of September 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)	14,079,596	3,545,845
Accounts payable to suppliers	317,287	276,410
Premiums to deposit insurance fund, contributions and obligations with tax collection entities)	154,028	128,329
Dividends, profit sharing and remunerations payable	81,010	134,086
Other accounts payable and current tax (IGV and income tax)	80,367	63,530
Interest payable	35,356	68,766
	14,747,644	4,216,966
Other liabilities		
Transactions in progress (b)	1,538,029	1,097,046
Deferred income and other	23,621	24,990
	1,561,650	1,122,036
Provisions		
Provision for contingent loans	244,592	226,175
Provision for lawsuits, litigations and other contingencies (c)	218,860	218,680
Other provisions	377,985	315,770
	841,437	760,625
	17,150,731	6,099,627

- (a) It corresponds to repurchase agreement with BCRP over foreign currency funds, loan portfolio and loan portfolio under Reactiva Perú Program.

As of September 30, 2020, the repurchase agreements mature until April 2021 (until October 2020 to December 31, 2019) and accrue interest at annual rates that fluctuate between 1.80% and 5.01% (between 3.47% and 5.01% as of December 31, 2019). The loan portfolio repurchase agreements under Reactiva Peru Program mature until September 2023 and accrue interest at annual rates of 0.50%.

- (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 September 30, 2020, liability transactions in progress mainly include S/ 1,348 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.

15. Equity

A. Regulatory capital and legal limits

The Banking Law established that the regulatory capital should 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

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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 September 30, 2020, on an individual basis, the regulatory capital of the Bank and the EDPYME, calculated according to current regulatory requirements is S/ 11,245 million and S/ 88 million, respectively (S/ 10,776 million and S/ 85 million, respectively as of December 31, 2019). The regulatory capital is used to calculate certain limits and restrictions applicable to all Banks and financial institutions in Peru, which Management considers to have fulfilled.

As of September 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/ 77,795 million and S/ 543 million, respectively (S/ 76,706 million y S/ 613 million, respectively, as of December 31, 2019).

As of September 30, 2020 the capital adequacy ratio by credit, market and operational risk of the Bank and EDPYME are 14.45% and 16.15%, respectively (14.05% and 13.82%, respectively, as of December 31, 2019).

As of September 30, 2020 the additional regulatory capital requirement of the Bank and EDPYME are S/ 1,604 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 September 30, 2020 and December 31, 2019, the Bank's share capital is represented by 6,529,169 and 5,885,209 thousand of outstanding ordinary shares with a par value of one Sol (S/ 1.00) each, for both periods. As of September 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 September 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	7,930	3.00	7,664	3.04
From 1.01 to 5	4	4.76	3	4.72
From 45.01 to 100	2	92.24	2	92.24
	7,936	100.00	7,669	100.00

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.

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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.

D. Adjustments to equity

As of September 30, 2020, and December 31, 2019, the unrealized results, net of deferred income tax, were as follows:

<i>In thousands of soles</i>	<i>Note</i>	2020	2019
Available-for-sale investment	6	88,074	36,331
Cash flow hedge	8	4,577	(4,448)
Other comprehensive income from associates		111	53
Actuarial liabilities		(9,120)	(9,120)
		83,642	22,816

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. In addition, at the shareholders meeting, it was approved to maintain S/ 241 million as retained earnings.

16. Risks and Contingent Commitments

As of September 30 and December 31, 2020, it comprises the following:

<i>In thousands of soles</i>	2020	2019
Indirect loans:		
Guarantees and letters of guarantee	17,593,665	15,510,355
Letters of credit and bank acceptances	941,977	1,097,142
	18,535,642	16,607,497
Unused credit lines and non-disbursed granted loans	13,708,696	13,365,509
Various responsibilities	5,755	5,302
	32,250,093	29,978,308

In the normal course of business, the BBVA Peru Group takes part in transactions, whose risk is recorded in contingent accounts. These transactions expose the BBVA Peru Group to credit risk, additional to the risk generated for the amounts disclosed in the consolidated statement of financial position.

The credit risk in contingent transactions is related to the possibility that one of the parts of the agreement does not comply with the terms established.

The BBVA Peru Group applies similar credit policies to assess and grant direct and indirect loans. In Management's opinion, the contingent transactions do not represent an exceptional credit risk, since it is expected that a portion of such indirect loans expires without being used. The total amounts of indirect loans do not necessarily represent future cash outflows for the BBVA Peru Group.

Management estimates that no significant losses will arise from current contingent transactions as of September 30, 2020 and December 31, 2019.

17. Interest Income

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

<i>In thousands of soles</i>	2020	2019
Direct loan portfolio	3,086,366	3,309,939
Investment available for sale	71,098	83,910
Investment at fair value through profit or loss	47,145	79,380
Cash and due from banks	31,860	124,008
Hedging operations	14,289	-
Interbank Funds	247	1,525
Other Financial Income	3,852	3,451
	3,254,857	3,602,213

18. Interest Expenses

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

<i>In thousands of soles</i>	2020	2019
Obligations to the public	(376,869)	(517,128)
Borrowings and financial obligations	(368,034)	(370,831)
Accounts payable	(60,583)	(51,119)
Deposits from financial system entities	(25,358)	(49,306)
Hedging operations	-	(27,689)
Interbank funds	(3,119)	(7,298)
Other financial expenses	(13,313)	(11,407)
	(847,276)	(1,034,778)

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19. Income from Financial Services, Net

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

<i>In thousands of soles</i>	2020	2019
Income		
Income from indirect loans	153,844	154,245
Income from credit card fees	142,898	200,004
Income from commissions from transfers	119,797	123,274
Income from commissions on collection services	105,905	99,380
Income from services and maintenance of checking accounts	39,385	37,011
Income from online banking services for companies	36,945	33,703
Income from technical and legal studies	12,786	8,860
Income from advisory services	6,783	16,621
Income from cash services	5,804	12,190
Income from trust and commission of trustee	1,097	950
Other income from services	204,085	218,114
	829,329	904,352
Expenses		
Visa and Mastercard expenses	(82,210)	(102,002)
Deposit insurance fund premiums	(66,730)	(55,217)
Customer loyalty programs	(42,178)	(68,111)
Transfers	(11,881)	(8,226)
Foreign exchange currency spot transaction	(5,502)	(5,597)
Checking account maintenance expenses	(3,028)	(3,218)
Other expenses for services	(45,233)	(57,550)
	(256,762)	(299,921)
	572,568	604,431

20. Results from Financial Operations

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

<i>In thousands of soles</i>	2020	2019
Profit (loss) from exchange difference (Note 5)	423,022	442,252
Available for sale investment	21,327	15,558
Investments at fair value through profit or loss	12,385	47,611
Trading derivatives	(700)	(1,914)
Loss (gain) on shares	(1,207)	7,874
Others	9,605	25,449
	464,432	536,830

21. Administrative Expenses

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

<i>In thousands of soles</i>	2020	2019
Personnel expenses and Directory	(647,500)	(618,303)
Expenses for services provided by third parties	(576,477)	(574,383)
Taxes and contributions	(36,872)	(36,372)
	(1,260,849)	(1,229,058)

22. Earnings per Share

The table below shows the computation of the weighted average of shares and earnings per shares as of September 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	270	5,885,209
Capitalization of year 2019	643,960	643,960		643,960
Balance as of September 30, 2020	6,529,169	6,529,169		6,529,169
2019				
Balance as of January 1, 2019	5,368,602	5,368,602	270	5,368,602
Capitalization of year 2018	516,607	516,607	270	516,607
Capitalization of year 2019	643,960	643,960	270	643,960
Balance as of September 30, 2019	6,529,169	6,529,169		6,529,169

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

As of September 30, 2020 and 2019, earnings per share calculated based on the average number of shares amounted to S/ 0.0843 and S/ 0.1883, respectively.

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23. Related Party Transactions

As of September 30, 2020 and December 31, 2019, the consolidated financial statements of BBVA Perú Group 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 BBVA Perú Group with related parties as of September 30, 2020 and 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	140,045	67	-	-	140,112	126,460	-	-	-	126,460
Loan portfolio, net	-	270,804	15,005	28,239	314,048	-	520,561	11	28,970	549,542
Trading derivatives	349,983	83,539	-	-	433,522	282,154	793	-	-	282,947
Other assets, net	199,279	101,501	8,622	-	309,402	30,227	36,154	-	-	66,381
Total assets	689,307	455,911	23,627	28,239	1,197,084	438,841	557,508	11	28,970	1,025,330
Liabilities:										
Obligations to the public and deposits from financial system entities	86,973	532,517	1,086	77,566	698,142	223,118	458,269	875	157,338	839,600
Borrowings and financial obligations	-	-	-	-	-	-	6,000	-	-	6,000
Trading derivatives	572,467	387	-	-	572,854	246,544	581	-	-	247,125
Provisions and other liabilities	33,677	69,171	34	20	102,902	44,902	9,613	-	21	54,536
Total liabilities	693,117	602,075	1,120	77,586	1,373,898	514,564	474,463	875	157,359	1,147,261
Off-balance sheet accounts :										
Indirect loans	-	340,023	316	1,493	341,832	-	250,655	292	1,326	252,273
Derivative financial instruments	21,830,115	24,906	-	-	21,855,021	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 September 30, 2020 and 2019 is as follows:

	2020					2019				
	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	-	853	-	121	974	-	1,302	-	127	1,429
Interest expenses	-	(6,020)	-	(86)	(6,106)	-	(7,216)	-	(290)	(7,506)
	-	(5,167)	-	35	(5,132)	-	(5,914)	-	(163)	(6,077)
Income from financial services	1,851	1,486	-	16	3,353	-	287	-	(13)	274
Expenses in financial services	-	-	-	-	-	-	(8)	-	-	(8)
	1,851	1,486	-	16	3,353	-	279	-	(13)	266
Net profit or loss from financial operations	(6,312)	(1,418)	-	-	(7,730)	-	-	-	-	-
Administrative expenses	(21,845)	(54,215)	-	-	(76,060)	(13,839)	(62,865)	-	-	(76,704)
Other income and expenses, net	-	222	-	-	222	-	1,073	-	-	1,073
	(28,157)	(55,411)	-	-	(83,568)	(13,839)	(61,792)	-	-	(75,631)

(*) 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 September 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 September 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 September 30, 2020 and 2019, key management personnel and board of directors' compensation amounted to S/ 9 million and S/ 8 million, respectively.

24. Trust fund activities

The Bank offers structuring and administration services of trust operations and commissions of a trustee and is in charge of the preparation of related agreements. The assets kept in trust are not disclosed in the consolidated financial statements. The Bank is responsible for the appropriate management of these trusts until the limit established by applicable laws and the respective agreement. As of December 31, 2019, the allocated value of assets in trust and commissions of a trustee amount to S/ 14,257 million (S/ 12,591 million as of December 31, 2019).

25. Financial Risk Management

Risk management plays a fundamental role in the BBVA Peru Group's strategy since it ensures solvency and sustained development. The risk profile has been established based on the Group's strategies and policies and it considers a unique, independent and global management model.

- Unique: Focused on a single objective. The risk appetite is determined based on fundamental metrics, limits for portfolios and economic sectors, and indicators for management and monitoring of portfolios.
- Independent: Independent from and complementary to the business. The adaptation process of the Risk Unit allows closely monitoring of the business and thus the ability to detect opportunities.
- Global: the BBVA Peru Group has a risk model adaptable to all risks, countries, and businesses.

For an effective management with a comprehensive vision, the Risk Unit of the BBVA Peru Group is structured by various types of risks: admission of retail and wholesale credit risks, monitoring, collections and recoveries, trust, market and structural risks, control, validation, reporting and regulation. With the purpose of creating synergy and integrating processes, from strategy and planning to implementation of management models and tools, the Risk Solution team consolidates cross-cutting functions supporting risk management.

During this year, as a result of the situation of the country due to the effect of COVID-19, Risk management has been completely focused on managing the crisis from all fronts:

- Portfolio management under the guidelines defined by the SBS and the Government, adaptation of the management and monitoring reports according to the new needs of the situation,
- Permanent monitoring and control of liquidity risks
- From the wholesale and retail admission, permanent review and adjustment of the admission policies, reprogramming modalities, performing the portfolio diagnosis, segmentation and action plans according to the criticality identified.
- The monitoring and management of collections has had a preventive and anticipatory approach, aimed at the most vulnerable segments affected by the crisis. Specialized teams have been implemented to manage collections, activating differentiated strategies according to the portfolio.
- Under the management of non-financial risks, control of the measures and decisions taken in order to mitigate operational risks.

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Credit risks

The Bank's risk management system is supported by a corporate governance scheme where the BBVA Peru Group determines the policies for Management and control of retail and wholesale credit risks, which adapt to local regulation and circumstances.

The Risk Unit structure for the credit risk management is as follows:

- *Portfolio Management, Data & Reporting:* It manages the credit risk by defining strategies, developing metrics, and calculating parameters to establish policies throughout the business cycle from admission and monitoring to recovery in order to control the credit quality of the portfolio and ensure a sustained profitability according to capital consumption. Additionally, it is responsible for the development and maintenance of the credit risk models that are used in BBVA Peru Group's risk management.
- *Risk Internal Control:* It is the risk activity control unit. Specifically and independently, it compares and control the regulations and the governance structure regarding financial risks and their application and operation in risk matters. It also compares the development and execution of the financial risk management and control processes. It is also responsible for validating the risk models.
- *Risk Solution:* It manages the project portfolio of the Risk area. It guarantees the correct definition, prioritization, execution and implementation of projects.
- *Risk Transformation:* Team responsible for ensuring the execution and continuous improvement of dependent processes, meeting the established quality and productivity standards. As part of the process organization, it seeks for efficiency and synergy among the involved services.
- *Retail Credit:* It manages the credit risk in the admission stage of the personal and business banking (small and medium-sized businesses). For personal banking, the admission focuses on tools assessing the profile, ability to pay, and credit behavior of the client in the Bank and in the financial system. For business banking, the admission focuses on economic and financial data obtained from field visits providing an adequate size of the business and debtor's capacity to pay, through the use of specific methodologies per economic activity, as well as tools assessing the behavioral profile of the businesses.

For origination processes of both personal and business banking, the Bank conducts under collective assessment through campaigns and specific tactical actions in accordance with BBVA Peru Group's growth strategy and portfolio management.

- *Wholesale Credit:* It manages credit risk in the corporate segments of the Retail Network, Corporate Banking, Institutions, Global Customers, IFIs and the Real Estate Sector, integrating -in accordance with the guidelines defined in the Wholesale Credit Risk Policy- the origination, admission and monitoring phases.

During 2020, through controlling of asset allocation limits, concentration thresholds and suggested sector profiles have been essential for management to monitor risk appetite on a permanent basis.

On the other hand, the role of the Portfolio Management team was focused on diagnosing and evaluating the impacts of the crisis on the different portfolios and the adaptation of preventive measures in management policies.

The "rating", "risk analyst" and bureau tools are an important support in decision-making. Likewise, the Automated Financial Program and the Digital Financial Program, used in the Business and Corporate Banking segments, respectively, continued as digital platforms for the preparation and analysis of loan proposals.

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- *Collection, Mitigation & Workout: This integrates the functions and processes necessary for monitoring, controlling defaults, collection, recoveries and decrease the impaired portfolio, both in retail and wholesale banking, achieving a comprehensive efficiency in the processes, as well as in the external (collection agencies, calls and law firms) and internal (network of offices) management channels.*

The impaired portfolio is managed through a centralized strategy that defines the policies for refinancing, awarding and payment agreements with customers, which seeks to minimize the expenses for provisions and the non-performing loan ratio, differentiating each segment and the stages of the credit life cycle.

Since 2018, the Integral Collection Plan has been implemented; it is a transformation project that involves improvements in processes, information management, remedial products, customer experience and the technological platform, among the most important that will continue to be addressed in 2020.

Received collaterals

The requirement of collaterals 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 collaterals received for loans granted to customers as indicated in the Collateral Policies, cover the collateral acceptance policies and the basic principles for setting, maintenance and release. All collaterals 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 collaterals 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 collaterals is updated.

Loan portfolio credit quality

The criteria to determine if a credit is impaired are the following:

Type of debtor	Impairment criteria
Retail	Loans past due over 90 days
	Loans rated as substandard, doubtful or loss
Wholesale	Loans rated as substandard, doubtful or loss
	Refinanced or restructured loans

Market risk

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

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 term structure of market interest rates for the different currencies.
- Currency risk: It arises due to fluctuations in the exchange rates for the different currencies.

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- Price risk: It arises as a result of movements in the market prices, either by specific factors of the instrument itself or by factors affecting all the instruments traded in the market.

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

The Value at Risk (“VaR”) is the basic variable to measure and control the market risk of BBVA Peru Group. This risk measure estimates the maximum loss, with a given level of confidence, that may occur in the market positions of a portfolio for a specific time horizon. In the BBVA Peru Group, the VaR is calculated by using the historical method with a confidence level of 99% and a time horizon of one day, and the data period taken is two years.

The market-risk limits structure determines a scheme of limits based on VaR and Economic Capital per market risk and specific alerts and sub-limits per type of risk, among others.

In addition, validity tests are made on the risk measurement models used to estimate the maximum loss that could be incurred in the positions assessed with a certain level of probability (backtesting), as well as measurements of the impact of extreme market events on risk positions (stress testing). Currently the stress analysis is carried out on the basis of historical crisis scenarios of Lehman Brothers (2008) and Resampling.

The detail of VaR per risk factors as of September 30, 2020 and December 30, 2019 was as follows:

<i>In thousands of soles</i>	2020	2019
VaR per risk factor		
VaR without smoothing	9,224	6,607
VaR - Interest rate	8,876	6,381
VaR – Currency	2,882	1,912
Average VaR	8,661	7,215
Maximum VaR	12,387	13,669
Minimum VaR	5,803	3,799

Structural interest rate risk

The aim of managing interest rate risk of the banking book is to maintain the BBVA Peru Group’s exposure to variations in market interest rates at levels in line with its strategy and target risk profile. For this purpose, the Assets and Liabilities Committee (COAP for its Spanish acronym) actively manages the banking book through operations intended to optimize the level of risk borne according to the expected earnings and to comply with the maximum acceptable risk levels.

COAP uses the interest rate risk measurements performed by the Risk Area which, acting as an independent unit, quantifies the impact of interest rate fluctuations on the BBVA Peru Group’s net interest margin and economic value on a regular basis.

In addition to measuring the sensitivity to 100-basis-point changes in market interest rates, the BBVA Peru Group performs probability calculations that determine the economic capital (maximum loss of economic value) and risk margin (maximum loss of interest margin) for structural interest rate risk in the banking activity of the Bank, excluding the Treasury activities, based on interest rate curve simulation models. The Bank regularly performs stress testing to supplement the assessment of its interest rate risk profile of the Bank.

All these risk measurements are subsequently analyzed and monitored, and the levels of risk assumed and the degree of compliance with the authorized limits are transferred to the different management bodies of the BBVA Peru Group.

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The following are the consumption of the structural interest risk levels (expressed in millions of S/) of the Bank as of September 30, 2020 and December 31, 2019:

2020		Sep-20	Aug-20	Jul-20	Jun-20	May-20	Apr-20	Mar-20	Feb-20	Jan-20
Limit consumption										
Financial margin sensitivity	7%	5.1%	3.7%	3.2%	2.5%	3.5%	3.8%	3.9%	4.6%	4.6%
Alert consumption										
Economic value sensitivity	1,200	454	535	498	572	597	565	565	625	635
Economic capital (EC)	1,200	589	680	626	608	620	621	667	709	729
Earnings at risk (EaR)	7%	2.1%	1.8%	1.7%	1.3%	1.4%	1.3%	1.4%	1.8%	1.8%

2019		Dic-19	Nov-19	Oct-19	Set-19	Ago-19	Jul-19	Jun-19	May-19	Abr-19	Mar-19	Feb-19	Ene-19
Limit consumption													
Financial margin sensitivity	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 (EC)	1,100	733	751	759	757	767	751	923	868	873	947	887	903
Earnings at risk (EaR)	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%

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As part of the measurement process, the BBVA Peru Group established the assumptions regarding the movement and behavior of certain items, such as those relating to products with no explicit or contractual maturity. These assumptions are based on studies that estimate the relationship between the interest rates on these products and market rates and enable specific balances to be classified into trend-based balances with long term permanence and seasonal or volatile balances with a short-term residual maturity.

Liquidity Risk

The aim of liquidity risk control, monitoring and management is to ensure, in the short-term, that the Bank's payment commitments can be duly met without having to resort to borrowing funds under burdensome terms, or damaging the image and reputation of the BBVA Peru Group. In the medium-term, the aim is to ensure that the financing structure is ideal and that it moves in the right direction, in the context of the economic situation, markets, and regulatory changes.

Management of liquidity and structural funding within the Bank is based on the principle of financial autonomy in respect of the BBVA Peru Group. This approach helps prevent and limit liquidity risk by reducing the Bank's vulnerability during periods of high risk.

The management and monitoring of liquidity risk is carried out comprehensively using a double approach: short- and long-term. The short-term liquidity approach has a time horizon of one year. It is focused on the management of payments and collections from the market activities, resources from volatile clients, and the Bank's possible liquidity requirements. The second approach, medium-term or financing, is focused on financial management of total assets and liabilities, focusing on financing structure, with a time horizon of more than one year.

The Assets and Liabilities Committee is responsible for the comprehensive management of liquidity. The Financial Management unit, as part of the Financial Division, analyzes the implications of the Bank's various projects in terms of funding and liquidity and its compatibility with the target funding structure and the situation of the financial markets. In this regard, the Financial Management unit, in accordance with the approved budgets, executes the proposals agreed by the COAP and manages the liquidity risk according to a broad scheme of limits, sub-limits, and approved alerts, over which the Risk area performs, independently, its measurement and control functions, contributing to the manager support tools and metrics for decision-making.

Periodic measurements of the risk incurred and the monitoring of the consumption of limits are made from the Trust, Market and Structural Risk Unit, which reports monthly the liquidity risk levels to the COAP; and more frequently to the management units. It should be noted that during the beginning of the state of emergency decreed by the pandemic - COVID19, the Structural Risks unit increased the periodicity of measurement of the main liquidity indicators in order to carry out daily monitoring that allows anticipating any contingency and supporting the areas management.

On the other side, regarding regulatory aspects, the Basel Committee on Banking Supervision has proposed a new liquidity regulation scheme based on two ratios: Liquidity Coverage Ratio (LCR) effective as from 2015 and Net Stable Funding Ratio (NSFR) implemented in 2018. Both the Bank and the BBVA Peru Group, as a whole, were part of the corresponding quantitative impact study (QIS) and were included in the new regulatory challenges in its new general framework for action in the field of Liquidity and Finance. At the local level, the SBS has also implemented the monitoring of the Ratio of Coverage of Liquidity (RCL), following the general guidelines of the Basel Committee, although adapted to the Peruvian reality. This RCL has been used since December 2013 and its calculation has a daily periodicity. The limit established for the RCL is 80% for the period 2014-2017, 90% for 2018 and 100% for 2019 onward, which has been comfortably met.

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According to SBS guidelines, the distribution by residual maturity of assets and liabilities as of September 30, 2020 and December 31, 2019, including accrued interest related to the loan and deposits portfolios is as follows:

<i>In thousands of soles</i>	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	More than 5 years	Past due and under legal collection loans	Non-contractual maturity	Total
2020									
Assets									
Cash and due from banks	20,914,450	5,668	686,200	759,668	36,115	-	-	-	22,402,101
Interbank funds	-	-	-	-	-	-	-	-	-
Investments at fair value through profit or loss	4,959,137	-	-	-	-	-	-	26,807	4,985,944
Available-for-sale investments	5,466,594	-	291,528	124,324	293,311	301,886	-	-	6,477,643
Loan portfolio, net	7,036,644	6,103,707	5,716,262	6,342,766	28,842,092	10,547,505	2,122,672	-	66,711,648
Trading derivatives	122,230	119,291	66,178	58,768	255,490	426,118	-	-	1,048,075
Hedging derivatives	-	2,408	-	-	99,566	-	-	-	101,974
	38,499,055	6,231,074	6,760,168	7,285,526	29,526,574	11,275,509	2,122,672	26,807	101,727,385
Liabilities									
Obligations to the public	9,003,717	7,180,811	3,322,739	3,330,232	43,362,698	-	-	-	66,200,197
Demand deposits	3,847,592	2,815,508	-	-	20,027,116	-	-	-	26,690,216
Savings	2,142,991	1,507,601	-	-	19,458,986	-	-	-	23,109,578
Time	2,918,175	2,857,702	3,322,739	3,330,232	3,876,596	-	-	-	16,305,444
Other	94,959	-	-	-	-	-	-	-	94,959
Interbank funds	150,001	-	-	-	-	-	-	-	150,001
Deposits from financial system entities	406,677	281,719	356,595	169,196	137,633	-	-	-	1,351,820
Borrowings and financial obligations	405,907	1,866,095	147,398	902,590	3,662,137	2,846,840	-	-	9,830,967
Trading derivatives	107,245	92,484	108,168	82,031	225,037	339,396	-	-	954,361
Hedging derivatives	3,764	7,013	5,523	8,997	6,946	-	-	-	32,243
Accounts payable	762,848	-	660,000	723,100	12,596,496	-	-	-	14,742,444
Other liabilities	1,561,649	-	-	-	-	-	-	-	1,561,649
	12,401,808	9,428,122	4,600,423	5,216,146	59,990,947	3,186,236	-	-	94,823,682

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<i>In thousands of soles</i>	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	More than 5 years	Past due and under legal 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
Investments at fair value through profit or loss	150,137	-	-	-	-	-	-	-	150,137
Available-for-sale investments	1,686,055	201,992	376,990	404,086	-	-	-	26,331	2,695,454
Loan portfolio, net	3,070,209	200,171	592	55,284	145,221	472,913	-	-	3,944,390
Trading derivatives	8,622,381	8,154,915	5,461,885	6,642,202	16,188,253	9,553,296	1,775,347	-	56,398,279
Hedging derivatives	159,133	49,071	29,343	33,782	135,190	161,167	-	-	567,686
Assets	-	-	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
Time	4,723,826	3,164,942	2,143,447	4,997,749	3,883,102	-	-	-	18,913,066
Other	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

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Operational risk

The BBVA Peru Group has an operational risk management model implemented at the corporate level based on identification, assessment, monitoring procedures and methodologies supported by tools that allow qualitative and quantitative management.

This model is based on a decentralized operational risk management conducted by operational risk management teams in the two lines of defense. In the first line is the Risk Control Assurer, whose objective is to promote the adequate management of operational risk in their respective management areas, extending the methodology of risk identification and establishment of controls, working for this with the owners of the processes who are those responsible for implementing mitigation plans and the execution of controls. In the second line of defense, there is a Risk Control Specialist team who define mitigation and control frameworks in their field 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 (CIRO). From the Risk area, the Non-Financial Risk Unit is in charge of coordinating the CIRO Committees, the implementation of corporate management tools, the training of both control teams (Risk Control Assurer and Risk Control Specialist), coordinating the updating of the risk map according to the established methodology and monitoring the mitigation plans.

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

Additionally, there is a database, SIRO (Integrated Operational Risk System), in which all operational risk events that represent a loss for the Bank and its subsidiaries are collected, it 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.

The effective equity requirement for operational risk of the Bank based on the alternative standard method as of September 30, 2020 amounts to S/ 527 million (S/ 502 million as of December 31, 2019) and for EDPYME based on the method of the basic indicator as of September 30, 2020 amounts to S/ 7 million (S/ 6 million as of December 31, 2019).

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26. Fair value

The methodology applied to determine the fair value has not changed with respect to those disclosed in the audited report of the consolidated financial statements for 2019.

Book value and fair value of financial assets and financial liabilities

Taking into account the fair value considerations and the Multiple Official Letter No. 43078-2014-SBS, in which the SBS determined that the fair value corresponds to the book value in the case of loans and deposits; as of September 30, 2020 and December 31, 2019, the book values and fair values of financial assets and financial liabilities are presented as follows:

<i>In thousands of soles</i>	Book Value		Fair Value	
	2020	2019	2020	2019
Assets				
Cash and due from banks	22,402,101	14,816,709	22,402,101	14,816,709
Interbank funds	-	150,137	-	150,137
Investments at fair value through profit or loss and available-for-sale	11,463,585	6,639,844	11,463,585	6,639,844
Loan portfolio, net	66,711,648	56,398,279	66,711,648	56,398,279
Trading derivatives	1,048,075	567,686	1,048,075	567,686
Hedging derivatives	101,974	4,611	101,974	4,611
Accounts receivable	72,617	41,933	72,617	41,933
Other assets, net	987,898	1,209,497	987,898	1,209,497
Total assets	102,787,898	79,828,696	102,787,898	79,828,696
Liabilities				
Obligations to the public and deposits from financial system entities	67,552,017	56,159,283	67,552,017	56,159,283
Interbank funds	150,001	150,016	150,001	150,016
Borrowings and financial obligations	9,830,967	9,678,796	9,767,025	9,696,271
Trading derivatives	954,361	490,934	954,361	490,934
Hedging derivatives	32,243	19,777	32,243	19,777
Accounts payable	14,742,444	4,213,820	14,742,444	4,213,820
Total liabilities	93,262,033	70,712,626	93,198,091	70,730,101

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Assets and liabilities recorded at fair value according to their hierarchy level are presented below:

Financial instruments recorded at fair value and hierarchy categorization

<i>In thousands of soles</i>	2020				2019			
	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	26,807	26,807	-	-	26,331	26,331	-	-
Debt instruments	4,959,137	361,282	4,597,855	-	2,669,123	182,149	2,486,974	-
Available-for-sale investments								
Equity instruments	29,353	29,353	-	-	26,947	26,947	-	-
Debt instruments	6,452,416	3,187,081	3,265,335	-	3,915,562	1,076,078	2,839,484	-
Trading derivatives	1,048,075	-	1,048,075	-	567,686	-	567,686	-
Hedging derivatives	101,974	-	101,974	-	4,611	-	4,611	-
	12,617,762	3,604,523	9,013,239	-	7,210,260	1,311,505	5,898,755	-
Liabilities								
Borrowings and financial obligations	4,289,577	-	4,289,577	-	3,882,575	-	3,882,575	-
Trading derivatives	954,361	-	954,361	-	490,934	-	490,934	-
Hedging derivatives	32,243	-	32,243	-	19,777	-	19,777	-
	5,276,181	-	5,276,181	-	4,393,286	-	4,393,286	-

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27. 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 October 8, 2020, the Peruvian Government published Law No. 31050 that establishes extraordinary measures for the rescheduling and temporary suspension of debts payment in order to alleviate the financial and economic impact of Covid-19 on natural persons and MYPES (SME).

On October 7, 2020, the Bank executed the early redemption of the subordinated loan for US \$ 200 million contracted with Credit Suisse, Cayman Islands Branch, as agreed between the parties involved.

On October 28, 2020, the Bank's Board of Directors agreed on the commitment to capitalize profits for fiscal year 2020 for S/ 142 million. The formalization of this commitment will be effective at the next General Shareholders' Meeting.