Interim condensed consolidated financial statements

As of June 30, 2020 and December 31, 2019 and for the three and six month periods ended June 30, 2020 and 2019

CREDICORP LTD. AND SUBSIDIARIES

Interim condensed consolidated financial statements as of June 30, 2020 and December 31, 2019 and for the three and six month periods ended June 30, 2020 and 2019

Content	Pages

US$ = United States dollar
S/ = Sol

CREDICORP LTD. AND SUBSIDIARIES

Interim condensed consolidated statement of financial position

As of June 30, 2020 (unaudited) and December 31, 2019 (audited)

	Note	As of June 30, 2020 S/(000)	As of December 31, 2019 S/(000)
Assets			
Cash and due from banks:			
Non-interest-bearing		6,685,864	6,177,356
Interest-bearing		29,430,518	19,809,406
	4	36,116,382	25,986,762
Cash collateral, reverse repurchase agreements and securities borrowing	5(a)	2,920,789	4,288,524
Investments:			
At fair value through profit or loss	6(a)	5,118,995	3,850,762
At fair value through other comprehensive income		28,927,364	24,614,050
At fair value through other comprehensive income pledged as collateral		3,286,301	1,588,673
	6(b)	32,213,665	26,202,723
Amortized cost		423,829	1,907,738
Amortized cost pledged as collateral		3,880,557	1,569,308
	6(c)	4,304,386	3,477,046
Loans, net:	7		
Loans, net of unearned income		132,741,720	115,609,679
Allowance for loan losses		(8,412,544)	(5,123,962)
		124,329,176	110,485,717
Financial assets designated at fair value through profit or loss	8	662,634	620,544
Premiums and other policies receivable	9(a)	799,644	838,731
Accounts receivable from reinsurers and coinsurers	9(b)	817,773	791,704
Property, furniture and equipment, net	10	1,375,474	1,428,173
Due from customers on acceptances		331,591	535,222
Intangible assets and goodwill, net	11	2,474,740	2,552,274
Right-of-use assets, net	12(a)	746,971	839,086
Deferred tax assets, net		1,501,633	520,953
Other assets	13	7,799,078	5,458,470
Total assets		221,512,931	187,876,691

	Note	As of June 30, 2020 S/(000)	As of December 31, 2019 S/(000)
Liabilities			
Deposits and obligations:	14		
Non-interest-bearing		41,310,487	28,316,170
Interest-bearing		88,353,845	83,689,215
		129,664,332	112,005,385
Payables from repurchase agreements and securities lending	5(b)	22,437,742	7,678,016
Due to banks and correspondents	15	8,374,009	8,841,732
Banker's acceptances outstanding		331,591	535,222
Accounts payable to reinsurers	9(b)	221,118	216,734
Lease liabilities	12(b)	797,947	847,504
Financial liabilities at fair value through profit or loss		480,952	493,700
Technical reserves for insurance claims and premiums	16	10,630,890	9,950,233
Bonds and notes issued	17	17,250,531	14,946,363
Deferred tax liabilities, net		119,989	134,204
Other liabilities	13	7,327,774	5,481,288
Total liabilities		197,636,875	161,130,381
Equity, net	18		
Equity attributable to Credicorp´s equity holders:			
Capital stock		1,318,993	1,318,993
Treasury stock		(209,309)	(207,839)
Capital surplus		160,430	226,037
Reserves		21,381,402	19,437,645
Other reserves		1,151,939	1,088,189
Retained earnings (losses)		(407,427)	4,374,935
		23,396,028	26,237,960
Non-controlling interest		480,028	508,350
Total equity, net		23,876,056	26,746,310
Total liabilities and net equity		221,512,931	187,876,691

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

CREDICORP LTD. AND SUBSIDIARIES

Interim condensed consolidated statement of income

For the three and six month periods ended June 30, 2020 and 2019 (unaudited)

		For the three-month periods ended June 30, 2020 and 2019 (unaudited)		For the six-month periods ended June 30, 2020 and 2019 (unaudited)	
		2020 S/(000)	2019 S/(000)	2020 S/(000)	2019 S/(000)
Interest and similar income	22	2,727,369	3,083,623	5,890,978	6,085,297
Interest and similar expenses	22	(766,241)	(831,220)	(1,550,550)	(1,635,726
Net interest, similar income and expenses		1,961,128	2,252,403	4,340,428	4,449,571
Provision for credit losses on loan portfolio	7(c)	(2,557,658)	(510,044)	(3,946,369)	(963,329)
Recoveries of written-off loans		17,201	61,751	64,431	131,825
Provision for credit losses on loan portfolio, net of recoveries		(2,540,457)	(448,293)	(3,881,938)	(831,504)
Net interest, similar income and expenses, after provision for credit losses on loan portfolio		(579,329)	1,804,110	458,490	3,618,067
Other income					
Commissions and fees	23	503,488	787,250	1,263,817	1,570,172
Net gain on foreign exchange transactions		149,308	188,358	316,291	366,781
Net gain on securities	24	295,469	121,465	194,061	249,796
Net gain (loss) on derivatives held for trading		8,358	(724)	43,788	(3,158)
Net gain from exchange differences		23,531	63	2,291	13,553
Others	29	35,195	115,025	152,965	190,630
Total other income		1,015,349	1,211,437	1,973,213	2,387,774
Insurance underwriting result					
Net premiums earned	25	552,061	584,579	1,179,996	1,168,788
Net claims incurred for life, general and health insurance contracts	26	(328,783)	(374,688)	(702,285)	(758,505)
Acquisition cost		(87,598)	(91,666)	(200,105)	(182,947)
Total insurance underwriting result		135,680	118,225	277,606	227,336
Other expenses					
Salaries and employee benefits	27	(825,997)	(845,835)	(1,717,180)	(1,680,152
Administrative expenses	28	(508,078)	(552,653)	(1,047,722)	(1,090,810
Depreciation and amortization		(123,375)	(109,535)	(248,525)	(215,178)
Depreciation for right-of-use assets		(48,064)	(49,128)	(94,662)	(74,810)
Others	29	(122,397)	(41,624)	(298,458)	(91,801)
Total other expenses		(1,627,911)	(1,598,775	(3,406,546)	(3,152,751

Interim condensed consolidated statement of income (continued)

		For the three-month periods ended June 30, 2020 and 2019 (unaudited)		For the six-month periods ended June 30, 2020 and 2019 (unaudited)	
		2020	**2019**	**2020**	**2019**
		S/(000)	**S/(000)**	**S/(000)**	**S/(000)**
Profit (loss) before income tax		(1,056,211)	1,534,997	(697,237)	3,080,426
Income tax		414,775	(414,466)	268,976	(836,631)
Net profit (loss)		(641,436)	1,120,531	(428,261)	2,243,795
Attributable to:					
Credicorp’s equity holders		(620,390)	1,098,572	(411,116)	2,199,440
Non-controlling interest		(21,046)	21,959	(17,145)	44,355
		(641,436)	1,120,531	(428,261)	2,243,795
Net basic and dilutive earnings (losses) per share attributable to Credicorp's equity holders (in Soles):					
Basic	30	(7.82)	13.82	(5.18)	27.68
Diluted	30	(7.80)	13.79	(5.17)	27.63

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

CREDICORP LTD. AND SUBSIDIARIES

Interim condensed consolidated statement of comprehensive income

For the three and six month periods ended June 30, 2020 and 2019 (unaudited)

	For the three-month periods ended June 30, 2020 and 2019 (unaudited)		For the six-month periods ended June 30, 2020 and 2019 (unaudited)	
	2020 S/(000)	2019 S/(000)	2020 S/(000)	2019 S/(000)
Net profit (loss) for the period	(641,436)	1,120,531	(428,261)	2,243,795
Other comprehensive income:				
To be reclassified to profit or loss in subsequent periods:				
Net result on investments at fair value through other comprehensive income	938,046	506,116	(52,303)	814,444
Income tax	(47,904)	(7,333)	8,463	(18,341)
	890,142	498,783	(43,840)	796,103
Net movement on cash flow hedges	(1,323)	(15,210)	(20,041)	(26,287)
Income tax	251	4,156	5,480	7,222
	(1,072)	(11,054)	(14,561)	(19,065)
Other reserves	(231,207)	–	(62,892)	–
	(231,207)	–	(62,892)	–
Exchange differences on translation of foreign operations	149,683	(38,625)	89,615	(69,239)
	149,683	(38,625)	89,615	(69,239)
Total	807,546	449,104	(31,678)	707,799
Not to be reclassified to profit or loss in subsequent periods:				
Net gain in equity instruments designated at fair value through other comprehensive income	(5,119)	(32,267)	90,971	135,340
Income tax	(72)	2,126	4,330	1,556
	(5,191)	(30,141)	95,301	136,896
Total	(5,191)	(30,141)	95,301	136,896
Total other comprehensive income	802,355	418,963	63,623	844,695
Total comprehensive income for the period, net of income tax	160,919	1,539,494	(364,638)	3,088,490
Attributable to:				
Credicorp's equity holders	171,984	1,510,924	(347,366)	3,032,222
Non-controlling interest	(11,065)	28,570	(17,272)	56,268
	160,919	1,539,494	(364,638)	3,088,490

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

Interim condensed consolidated statement of changes in net equity

For the six-month periods ended June 30, 2020 and 2019 (unaudited)

	Attributable to Credicorp's equity holders													
						Other reserves								
		Treasury stock				Instruments that will not be reclassified to income	Instruments that will be reclassified to the interim condensed consolidated statement of income							
	Capital stock	Shares of the Group	Share-based payment	Capital surplus	Reserves	Investments in equity instruments	Investments in debt instruments	Cash flow hedge reserve	Insurance reserves	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	Total net equity
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Balances as of January 1, 2019	1,318,993	(204,353)	(3,641)	246,194	17,598,556	452,551	229,470	(3,161)	–	29,593	4,175,041	23,839,243	426,833	24,266,076
Changes in equity in 2019 -														
Net profit for the period	–	–	–	–	–	–	–	–	–	–	2,199,440	2,199,440	44,355	2,243,795
Other comprehensive income	–	–	–	–	–	136,875	783,780	(18,638)	–	(69,235)	–	832,782	11,913	844,695
Total comprehensive income	–	–	–	–	–	136,875	783,780	(18,638)	–	(69,235)	2,199,440	3,032,222	56,268	3,088,490
Transfer of retained earnings to reserves, Note 18(c)	–	–	–	–	1,858,811	–	–	–	–	–	(1,858,811)	–	–	–
Dividend distribution, Note 18(d)	–	–	–	–	–	–	–	–	–	–	(1,595,229)	(1,595,229)	–	(1,595,229)
Dividends paid to interest non-controlling of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(38,951)	(38,951)
Purchase of treasury stock, Note 18(b)	–	–	(1,814)	(101,411)	–	–	–	–	–	–	–	(103,225)	–	(103,225)
Share-based payment transactions	–	–	2,113	82,597	(34,043)	–	–	–	–	–	–	50,667	–	50,667
Others	–	(144)	–	–	–	–	–	–	–	–	(1,640)	(1,784)	136	(1,648)
Balances as of June 30, 2019	1,318,993	(204,497)	(3,342)	227,380	19,423,324	589,426	1,013,250	(21,799)	–	(39,642)	2,918,801	25,221,894	444,286	25,666,180
Balances as of January 1, 2020	1,318,993	(204,388)	(3,451)	226,037	19,437,645	550,065	1,255,988	(30,104)	(658,491)	(29,269)	4,374,935	26,237,960	508,350	26,746,310
Changes in equity in 2020 -														
Net profit (loss) for the period	–	–	–	–	–	–	–	–	–	–	(411,116)	(411,116)	(17,145)	(428,261)
Other comprehensive income	–	–	–	–	–	95,496	(45,516)	(14,235)	(62,237)	90,242	–	63,750	(127)	63,623
Total comprehensive income	–	–	–	–	–	95,496	(45,516)	(14,235)	(62,237)	90,242	(411,116)	(347,366)	(17,272)	(364,638)
Transfer of retained earnings to reserves, Note 18(c)	–	–	–	–	1,977,091	–	–	–	–	–	(1,977,091)	–	–	–
Dividend distribution, Note 18(d)	–	–	–	–	–	–	–	–	–	–	(2,392,844)	(2,392,844)	–	(2,392,844)
Dividends paid to interest non-controlling of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(32,273)	(32,273)
Purchase of treasury stock, Note 18(b)	–	–	(3,356)	(148,543)	–	–	–	–	–	–	–	(151,899)	–	(151,899)
Share-based payment transactions	–	–	2,709	82,936	(33,334)	–	–	–	–	–	–	52,311	–	52,311
Others	–	(823)	–	–	–	–	–	–	–	–	(1,311)	(2,134)	21,223	19,089
Balances as of June 30, 2020	1,318,993	(205,211)	(4,098)	160,430	21,381,402	645,561	1,210,472	(44,339)	(720,728)	60,973	(407,427)	23,396,028	480,028	23,876,056

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

CREDICORP LTD. AND SUBSIDIARIES

Interim condensed consolidated statement of cash flows

For the six-month periods ended June 30, 2020 and 2019 (unaudited)

	Note	For the six-month periods ended June 30, 2020	2019
		S/000	S/000
CASH AND CASH EQUIVALENTS FROM OPERATING ACTIVITIES			
Net (loss) profit for the period		(428,261)	2,243,795
Adjustment to reconcile net profit to net cash arising from operating activities:			
Provision for credit losses on loan portfolio	7(c)	3,946,369	963,329
Provision for interests on loan freezed		323,797	–
Depreciation and amortization		248,525	215,178
Depreciation of right-of-use assets		94,662	74,810
Depreciation of investment properties	13(e)	3,375	3,312
Deferred (income) expense tax	19(b)	(940,627)	30,749
Adjustment of technical reserves	25(a)	252,149	431,141
Net gain on securities	24	(194,061)	(249,796)
Provision for sundry risks	29	8,058	10,513
Loss (gain) on financial assets designated at fair value through profit and loss	25(a)	6,976	(60,957)
Net (gain) loss of trading derivatives		(43,788)	3,158
Net income from sale of property, furniture and equipment	29	(10,002)	(34,915)
Net (gain) loss from sale of seized and recovered assets	29	(1,773)	3,065
Expense for share-based payment transactions	27	45,620	59,445
Others		(2,291)	(13,553)
Net changes in assets and liabilities			
Net (increase) decrease in assets:			
Loans		(15,740,124)	(593,295)
Investments at fair value through profit or loss		(1,119,094)	(426,462)
Investments at fair value through other comprehensive income		(5,399,554)	(728,697)
Cash collateral, reverse repurchase agreements and securities borrowings		1,562,709	(451,993)
Other assets		(1,084,547)	(767,369)
Net increase (decrease) in liabilities			
Deposits and obligations		14,488,951	(251,096)
Due to banks and correspondents		(748,289)	906,257
Payables from repurchase agreements and securities lending		14,710,129	1,074,591
Bonds and notes issued		1,511,252	(87,890)
Short-term and low-value lease payments		(31,319)	(30,580)
Other liabilities		1,229,112	1,509,142
Income tax paid		(691,293)	(651,488)
Net cash flow from operating activities		11,996,661	3,180,394

	Note	For the six-month periods ended June 30, 2020	2019
		S/000	S/000
NET CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, furniture and equipment		22,572	24,047
Purchase of property, furniture and equipment		(28,145)	(52,194)
Purchase of investment property	13(e)	(8,017)	(10,781)
Purchase of intangible assets		(183,773)	(142,813)
Purchase of investment at amortized cost		(963,771)	(1,034,798)
Proceeds from sale and reimbursement of investment to amortized cost		586,429	1,989,379
Net cash flows from investing activities		(574,705)	772,840
NET CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	18(d)	(2,392,844)	(1,595,229)
Dividends paid to non-controlling interest of subsidiaries		(32,273)	(38,951)
Principal payments of leasing contracts		(85,719)	(76,510)
Interest payments of leasing contracts		(17,344)	(16,129)
Purchase of treasury stock	18(b)	(151,899)	(103,225)
Net cash flows from financing activities		(2,680,079)	(1,830,044)
Net increase of cash and cash equivalents before effect of changes in exchange rate		8,741,877	2,123,190
Effect of changes in exchange rate of cash and cash equivalents		1,388,894	(454,312)
Cash and cash equivalents at the beginning of the period		25,974,042	22,160,803
Cash and cash equivalents at the end of the period		36,104,813	23,829,681
Additional information from cash flows			
Interest received		5,683,339	6,031,066
Interest paid		(1,507,616)	(1,592,586)

Interim condensed consolidated statement of cash flows (continued)

Reconciliation of liabilities arising from financing activities:

For the six-month period ended June 30, 2020	As of January 1, 2020	Changes that generate cash flows		Changes that do not generate cash flows		As of June 30, 2020
		New issues	Amortization of principal	Exchange difference	Others	
Subordinated bonds:						
Amortized cost	4,387,743	–	–	285,185	3,667	4,676,595
	4,387,743	–	–	285,185	3,667	4,676,595

For the six-month period ended June 30, 2019	As of January 1, 2019	Changes that generate cash flows		Changes that do not generate cash flows		As of June 30, 2019
		New issues	Amortization of principal	Exchange difference	Others	
Subordinated bonds:						
Amortized cost	5,424,401	–	–	(144,559)	3,294	5,283,136
	5,424,401	–	–	(144,559)	3,294	5,283,136

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

Notes to the interim condensed consolidated financial statements
as of June 30, 2020 and December 31, 2019 and for the three and six month
periods ended June 30, 2020 and 2019

1 OPERATIONS

Credicorp Ltd. (hereinafter “Credicorp” or “the Group”) is a limited liability company incorporated in Bermuda in 1995 to act as a holding company and to coordinate the policies and administration of its subsidiaries. It is also engaged in investing activities.

Credicorp Ltd., through its banking and non-banking subsidiaries and its associate Entidad Prestadora de Salud, provides a wide range of financial, insurance and health services and products mainly throughout Peru and in certain other countries (See Note 3(b)). Its major subsidiary is Banco de Crédito del Perú (hereinafter “BCP” or the “Bank”), a Peruvian universal bank. Credicorp’s address is Clarendon House 2 Church Street Hamilton, Bermuda; likewise, administration offices of its representative in Peru are located in Calle Centenario Nº156, La Molina, Lima, Peru.

In a Board meeting on December 19, 2019, the Corporate Policy for the Prevention of Corruption and Bribery was approved. This document specifies that Credicorp nor any of its subsidiaries may make contributions or deliver any benefit to political organizations or their members, under any modality, directly or indirectly. Management confirms that for the period between January 1 and June 30, 2020, none of these contributions have been made.

Credicorp is listed on the Lima and New York stock exchanges.

The consolidated financial statements as of December 31, 2019 and for the year then ended were approved by the Board of Directors on February 27, 2020. The interim condensed consolidated financial statements as of June 30, 2020 and for the six-month period ended June 30, 2020 were approved by the Management on August 24, 2020 and will be submitted for their final approval by the Board of Directors; in Management’s opinion, these will be approved without modifications.

2 SIGNIFICANT TRANSACTIONS

a) Main acquisitions, incorporations and mergers -

At the General Shareholders' Meeting - Extraordinary Meeting held on January 13, 2020, the shareholders of Credicorp Capital Colombia S.A. approved the legal merger of Ultraserfinco S.A. This operation was authorized by the Superintendency of Colombian Bank through Resolution N°0421 of April 24, 2020. Also, on June 27, 2020, Credicorp Capital Colombia S.A. (absorbing entity) acquired all the assets, liabilities, rights and obligations of Ultraserfinco S.A. (absorbed entity).

This transaction has not generated a significant impact on the Group's consolidated financial statements.

Likewise, during the second quarter of 2020, the Group has not performed other significant transaction of acquisitions, incorporations and mergers.

b) The outbreak of the new coronavirus (hereinafter “COVID-19”).

A more recent event that implies risks for the Peruvian economy and our result of operations is the ongoing outbreak of COVID-19, which was first reported in Wuhan, China, on December 31, 2019. Due to the nature of the outbreak, significant measures to mitigate spread of COVID-19 have been taken by governments all around the world, which include closing international borders and severe mobility restrictions (quarantines). As a result, global gross domestic product (GDP) is estimated to contract severely in 2020 (lowest since the Great Depression of 1929), which affects Peru’s main trade partners, including China and the U.S. Moreover, Peru’s exports prices will also be affected due to lower global demand.

As a result of COVID-19, the economies in which Credicorp operates (mainly Peru, Colombia and Bolivia) are severely disrupted by two factors: (i) the effect on the global economy (economic growth of our main trade partners like China and the U.S., as well as lower commodity prices), and (ii) the local effect of government measures to stop the COVID-19 outbreak. Estimates suggest that around 60.0 percent of GDP volatility in Peru is explained by external factors.

In Bolivia, acting president established a state of emergency on March 21, 2020 ordering a nation-wide quarantine, in which the public and private activities were initially suspended until May 10, 2020. Later, the government resolved to have a conditional and a dynamic regional quarantine based on the three risks levels (high, medium and low) until August 31, 2020. The low reproduction rate of COVID-19 in high altitude areas could be a positive factor helping Bolivia.

To cope with the economic shock due to COVID-19, Bolivia’s government announced fiscal and monetary measures, including monetary payments for the unemployed and for families with children, coverage of basic services, credits to companies to cover the payment of wages, and a Microcredit Support Program. In addition, the Central Bank provided liquidity to the local market.

In Colombia, the president established the state of emergency on March 23, 2020. The lockdown has been extended until August 31, 2020. However, sectors such as manufacturing and construction (which account for 10.0 percent of GDP) were recently reactivated to minimize the economic shock. The COVID-19 pandemic occurred while the economy was in a process of gradual recovery due to the drop in the price of oil. Further, Colombia has the highest level of current account deficit in the region (4.3 percent of GDP in 2019) while public debt has been expanding over the last years (50.0 percent of GDP in 2019). In addition, the government faces the potential loss of their investment grade rating after S&P and Fitch gave the country a BBB- rating with a negative outlook. Finally, a decrease in exports due to the COVID-19 will be a significant challenge for Colombia to overcome this year.

To cope with the economic shock due to COVID-19, Colombia’s government gradually implemented the following measures such as grace periods and credit restructuring for individuals and legal entities, wage subsidies, deferment of payment of corporate income taxes and social payments. On the monetary side, the Central Bank has injected close to 1.4 percent of GDP to provide liquidity in the local market, and the Central Bank cut the reference rate by 100 basis points to 3.3 percent, the lowest rate since 2013 and the first reduction in almost two years.

In Chile, the state of emergency was announced on March 18,2020, initially for 90 days but was extended until September 18,2020. This allowed the government to impose a series of measures such as the closure of all borders, the establishment of selective quarantines and sanitary measures, and the declaration of night curfew. However, unlike its peers, Chile never had a nationwide quarantine but given the deterioration of the health crisis, on May 15, 2020 they announced a total quarantine in the Metropolitan Region of Santiago (and other regions) which represents 40.0 percent of Chilean GDP. Mining production never stopped as it is considered by the government a strategic sector for the country, functioning as a cushion to limit the initial negative economic impact. Specifically, some investments were postponed, and the labor force was reduced significantly in some mines during the second quarter of 2020. On July 19, 2020, the government presented the plan “Paso a Paso”, the process of reopening in five stages (quarantine, transition, preparation, initial and advanced opening) subject to the sanitary situation of each district. Santiago entered the transition phase on August 17, 2020.

To mitigate the effects of the crisis, the government announced three fiscal stimulus packages representing 12.0 percent of GDP, with measures mainly focused on the protection of jobs and income for low and middle-income families, as well as SMEs. The Central Bank of Chile, reduced its interest rate to 125 basic points to 0.5 percent (technical minimum) and adopted unconventional measures such as buying bank and government bonds as well as providing credit lines at low cost to banks. These measures account for around 30.0 percent of GDP. On the political side, the October 2019 social crisis resulted in a constitutional plebiscite that will take place on October 25, 2020, which could continue to derail an already weak investment and consumer confidence in an uncertain environment.

In Panama, the authorities declared a national emergency on March 13, 2020 and ordered mandatory quarantine on March 25, 2020. This included a 24-hour curfew (replaced with a night curfew on June 1, 2020), gender-based movement restrictions from April 1 to May 31, 2020 (reimposed on June 8, 2020), suspended all construction projects except those health-related and banned all commercial flights. On May 15, 2020, the Ministry of Labor and Development published guidelines for the gradual reopening of the economy, which consists of six blocks by activity type. Block 1 (online retailers, hardware stores and technical service providers) opened on May 13, 2020, while Block 2 (public works, non-metal mining, industry and parks) started on June 1, 2020. However, it was paused on June 8,2020 given the increase in new COVID-19 cases and on July 15, 2020, the government re-imposed the weekend total quarantine in the provinces most affected, which included the metropolitan area of Panama City.

To counteract the pandemic’s negative effects, the government adopted a series of fiscal and macro-financial measures. Given that Panama is a dollarized economy and do not have a Central Bank, they cannot adopt monetary policy measures. On the fiscal side, it increased spending (health and social programs) aimed at supporting SMEs restarting operations, suspended payments for public services (electricity, landline and mobile phones, and internet) for March through June and implemented tax relief measures. On the macro-financial side, the Superintendency of Banks of Panama (SBP) allowed banks to use the accumulated dynamic provisioning to absorb the impact of credit losses, it allowed banks to undertake voluntary loan restructuring with troubled borrowers and requested banks not to charge interest on the unpaid interest. Besides, Panama secured funds from multilaterals (IMF, IADB, World Bank, and others) totaling around 2.0 percent of GDP.

In Peru, the president established a state of emergency on March 16, 2020, and ordered a general country wide lockdown. Minor exceptions were made for key sectors (food supply, health, and banking). The lockdown was initially established for 15 calendar days but was extended on several occasions and currently the government has decreed a targeted quarantine until December 7, 2020. Likewise, according to the Government's economic plan, Phase 2 of economic activation began in June with the start of operations of some economic sectors that comply with the biosafety measures and protocols required by the Government. Even though the Peruvian economy has one of the strongest macroeconomic fundamentals among emerging markets, the quality of the health system in Peru is below the region’s average.

As a result of the general lockdown which limited economic activity GDP fell 30.2 percent year-over-year in the second quarter of 2020, the greatest fall within the Latin American region. This result was explained by the implementation of a severe and generalized lockdown, and a thereafter very gradual economic recovery. Specifically, the contraction of private spending (consumption and investment) amid the general lockdown explained 85.0 percent of GDP contraction in the second quarter of 2020. Nonetheless, since the worst points during April, several indicators such as electricity demand, cement consumption, expectation indicators, among others, show a notable recovery during the third quarter of 2020.

In response to the major sanitary and economic shock from COVID-19, the Ministry of Finance, the Central Bank and the Congress have announced and are implementing ample package of measures to mitigate and stimulate the economy for the equivalent of approximately 20.0 percent of GDP. The ability to implement measures of this magnitude stems from prudent macroeconomic policies that have been implemented for decades. The measures enacted include grace periods and rescheduling of credits to individuals and legal entities, tax relief, public spending, access to private savings (pension fund accounts and severance indemnity deposits), and government-backed liquidity programs. These measures which continue to be implemented would enable a strong recovery of economic activity in the quarters ahead.

In particular, the government is supporting the business sector through two government-backed programs:

– “Reactiva Perú” is a liquidity program, created by the National Government through Legislative Decree N°1455, and modified by Legislative Decree N°1457 and Supreme Decree N°124-2020-EF, it aims to give a quick and effective response to the liquidity needs that companies have to face due to the impact of COVID-19. The program seeks to ensure continuity in the credit chain, granting guarantees to micro, small, medium and large companies so that they can access working capital loans, and thus can meet their short-term obligations with its workers and suppliers of goods and services. This program initially had resources of S/30,000.0 million and later, through Legislative Decree N°1485, the amount was increased by an additional S/30,000.0 million, reaching the amount of S/60,000.0 million, equivalent to 8.0 percent of GDP (PBI, by its Spanish initials).

  The amount of the credit in soles to be disbursed and the individual guarantee will depend on the sales volume of each company. The maximum amount of guaranteed credits to be granted will depend on three months of average monthly sales in 2019, according to the Tax Administration of Peru (SUNAT, by its acronym in Spanish). Likewise, in the case of credits intended for microenterprises, an alternative to the sales level, the amount equivalent to two months average debt of the year 2019 can also be used, up to a maximum of S/40.0 thousand. The level of guarantee coverage of the Peruvian Government for these loans is 98.0 percent for loans disbursed up to S/90.0 thousand and varies between 95.0 percent and 80.0 percent for loans greater than S/90.0 thousand and up to S/10.0 million.

  The loans disbursed from “Reactiva Perú” program will have maximum terms of up to thirty-six months, with a grace period of up to twelve months. Likewise, financial entities undertake to offer these credits at record low rates, since the Central Reserve Bank of Peru (BCRP, by its acronym in Spanish) will grant said funds through repurchase credit agreement with the Guarantee of the National Government represented in securities, which may be assigned through auctions or direct operations, they remunerate an effective annual rate of 0.5 percent and include a grace period of twelve months without payment of interest or principal.

– The Enterprise Support Fund (FAE, by its Spanish initials) program enables banks and microfinance entities to provide Small and Micro businesses loans for up to S/4.0 billion with government guarantee coverage levels between 90.0 percent and 98.0 percent. This amount represents about 9.0 percent of the loan portfolio for SMEs (Pymes, by its Spanish initials) systemwide. Other Funds which have also been created are FAE funds for Agriculture and Tourism for S/2.0 billion and S/1.5 billion, respectively. These funds follow similar structures to the original FAE but are focused on specific sectors.

Finally, the Central Bank has lowered its reference rate 200 basis points to 0.3 percent, a historic minimum, and has provided liquidity for six and twelve months through credit agreements since the beginning of March. BCRP has also implemented measures to mitigate exchange rate volatility. Additionally, the SBS has authorized credit extensions for up to six months with no effect on client credit ratings.

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

Credicorp is contributing to reactivation on four fronts:

i. Employees, by seeking to protect the health of thousands of workers by providing optimum working conditions,

ii. Clients, by offering facilities including debt reprogramming (the most vulnerable segments are: Mibanco and within BCP stand-alone SME-Pyme and individuals, where debt reprogramming rates reached 56.0 percent, 65.0 percent and 56.0 percent respectively at the end of June 2020); elimination of some banking fees for transactions conducted by individuals; and participating in Reactiva Perú program, where we disbursed approximately the 47.3 percent of the program,

iii. Business Continuity, implementing contingency plans to ensure operating continuity and to maintain our solvency and liquidity, and

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

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

Regarding financial markets, asset prices have quickly rebounded from the steep fall during March and April. The global equity index MSCI is up 2.7 percent YTD and 50.0 percent from its March lows, with equity markets in the United States reaching historical highs. Unprecedented actions from governments and central banks, with the adoption of unconventional and liquidity measures like asset purchase programs, have eased financial conditions and pushed asset prices higher. This has occurred despite high levels of uncertainty, a gloomy economic outlook, and significant downside risks. This decoupling between financial markets and the real economy could represent an important source of vulnerability. The above-mentioned recovery of financial markets was also observed in local markets. As such, Sovereign 2029's yield decreased from 5.8 percent in mid-March to 3.8 percent by end-June. Furthermore, the yield spread between Sovereign 2029 and the 10-year US Treasury also narrowed from 461 basic points in mid-March to 313 basic points by the end of June.

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

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

Prolonged economic stress and market disruptions as a result of COVID-19 may generate pressure on our liquidity management. This increase in liquidity risk may result in limited and/or costly access to financing sources, inability to access capital markets, an increase in draws of outstanding credit lines and a change in the expected level of cash inflow as consequence of large-scale loan reprogramming.

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

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

The interim condensed consolidated financial statements reasonable reflect the best available information at the time of preparation, including the uncertainty and the impact on significant assumptions and estimations, that are disclosed in the main notes to the financial statements. Those accounting estimates, in the opinion of management, are reasonable in the circumstances.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of Credicorp’s interim condensed consolidated financial statements are set out below:

a) Basis of presentation, use of estimates and changes in accounting policies -

The accompanying interim condensed consolidated financial statements as of June 30, 2020, and for the six-month periods ended June 30, 2020, have been prepared in accordance with IAS 34 “Interim Financial Reporting”.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the annual consolidated audited financial statements for the year ended December 31, 2019 (henceforth “2019 Annual consolidated financial statements”), date February 27, 2020.

The interim condensed consolidated financial statements have been prepared following the historical cost criteria, except for investments at fair value through profit or loss, investments at fair value through other comprehensive income, financial assets designated at fair value through profit or loss, derivative financial instruments, and financial liabilities at fair value through profit or loss; which have been measured at fair value.

The interim condensed consolidated financial statements are presented in Soles (S/), which is the functional currency of the Group, and all values are rounded to thousands of soles, except when otherwise indicated.

The preparation of the interim condensed consolidated financial statements in accordance with International Financial Reporting Standards (henceforth "IFRS") as issued by the International Accounting Standards Board (IASB), requires Management to make estimations and assumptions that affect the reported amounts of assets, liabilities, income and expenses and the disclosure of significant events in notes to the interim condensed consolidated financial statements.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. The final results could differ from said estimates; however, the Management expects that the variations, if any, will not have a material impact on the interim condensed consolidated financial statements.

The most significant estimates included in the accompanying interim condensed consolidated financial statements are related to the calculation of the allowance of the expected credit loss on loan portfolio, the valuation of investments, the technical reserves for insurance claims and premiums, the impairment of goodwill , the expected credit loss for investments at fair value through other comprehensive income and investments at amortized cost, the valuation of share-based payment plans and the valuation of derivative financial instruments.

Furthermore, other estimates exist, such as the estimated useful life of intangible assets, property, furniture and equipment and the deferred income tax assets and liabilities.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2019, except for the adoption of new standards effective as of January 1, 2020, as described below:

(i) Definition of Material - Amendments to IAS 1 and IAS 8 -

The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify:

- That the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- The meaning of 'primary users of general-purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

(ii) Definition of a Business - Amendments to IFRS 3 -

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term ‘outputs’ is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

The amendments will likely result in more acquisitions being accounted as asset acquisitions.

(iii) Revised Conceptual Framework for Financial Reporting -

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- Increasing the prominence of stewardship in the objective of financial reporting.
- Reinstating prudence as a component of neutrality.
- Refining a reporting entity, which may be a legal entity, or a portion of an entity.
- Revising the definitions of an asset and a liability.
- Removing the probability threshold for recognition and adding guidance on derecognition.
- Adding guidance on different measurement basis, and
- Stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from January 1, 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

The modifications indicated above had no impact on the amounts recognized in previous or current periods and are not expected to significantly affect future periods.

(iv) Amendment to IFRS 16 Leases -

On May 28, 2020, the International Accounting Standards Board (IASB) published the amendment "Lease concessions related to Covid-19 (Amendment to IFRS 16)" which modifies the standard to provide lessees with an exemption from assessing whether a lease related to COVID-19 is a lease modification. At the same time, the IASB published a Proposed Taxonomy Update to reflect this amendment.

When there is a change in lease payments, the accounting treatment will depend on whether that change meets the definition of a lease modification defined as "a change in the scope of a lease, or consideration of a lease, that was not part of the original terms and conditions of the lease (for example, adding or ending the right to use one or more underlying assets, or extend or shorten the term of the contractual lease)”.

The amendment modifies IFRS 16 in the following areas:

- Provide lessees an exemption from assessing whether a lease concession related to COVID-19 is a lease modification;
- require lessees applying the exemption to take into account the concessions of leases related to COVID-19 as if they were not lease modifications;
- determine that the change in lease payments results in revised consideration for the lease that

is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

- establish that there is no substantive change to other terms and conditions of the lease;
- require lessees who apply the exemption to disclose that fact;
- require lessees to apply the exemption retrospectively in accordance with IAS 8, but do not require them to adjust the balances of the financial statements from previous periods;

This amendment applies to Covid-19-related lease concessions that reduce payments of leases expired on or before June 30, 2021 in order to capture lease concessions granted as of June and with a duration of 12 months.

The amendment takes effect on June 1, 2020, but to ensure that help is available when it is most needed, lessees can apply the amendment immediately on any financial statement, whether provisional or annual, that is not yet authorized to report.

The adoption of the amendment did not have significant effects on the Interim condensed consolidated financial statements since to date there have been no significant changes in their contracts that warrant the use of this amendment.

b) Basis of consolidation -

The interim condensed consolidated financial statements of the Group comprise the condensed financial statements of Credicorp and subsidiaries for all the years presented. The method adopted by the Group to consolidate its subsidiaries is described in Note 3(b) of the 2019 Annual Consolidated Financial Statements.

As of June 30, 2020 and December 31, 2019, the following entities comprise the Group (the individual or consolidated figures of their financial statements are presented in accordance with IFRS and before eliminations for consolidation purposes, except for the elimination of Credicorp's treasury shares and its related dividends):

Entity	**Activity and country of incorporation**	**Percentage of interest (direct and indirect)**		**Assets**		**Liabilities**		**Equity**		**Net income (loss) for the six-month periods ended June 30,**	
		As of June 30, 2020	**As of December 31, 2019**	**As of June 30, 2020**	**As of December 31, 2019**	**As of June 30, 2020**	**As of December 31, 2019**	**As of June 30, 2020**	**As of December 31, 2019**	**2020**	**2019**
		%	**%**	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**
Grupo Crédito S.A. and Subsidiaries (i)	Holding, Peru	100.00	100.00	195,111,000	165,072,249	175,396,700	142,514,228	19,714,300	22,558,021	(635,335)	1,678,491
Pacífico Compañía de Seguros y Reaseguros S.A and Subsidiaries (ii)	Insurance, Peru	98.79	98.79	14,508,839	13,783,515	11,673,688	10,963,533	2,835,151	2,819,982	200,723	176,363
Atlantic Security Holding Corporation and Subsidiaries (iii)	Capital Markets, Cayman Islands	100.00	100.00	10,552,092	6,076,928	9,368,041	4,986,657	1,184,051	1,090,271	536,016	402,191
Credicorp Capital Ltd. and Subsidiaries (iv)	Capital Markets and asset management, Bermuda	100.00	100.00	3,835,053	4,807,905	2,896,835	3,832,287	938,218	975,618	(9,427)	26,766
CCR Inc.(v)	Special purpose Entity, Bahamas	100.00	100.00	333,006	386,146	331,687	385,253	1,319	893	426	890

(i) The main activity of Grupo Crédito is to invest in shares listed in the Peruvian-Stock Exchange and in unlisted shares of Peruvian companies. Below, we present the individual or consolidated figures of their financial statements are presented in accordance with IFRS and before eliminations for consolidation purposes:

Entity	**Activity and country of incorporation**	**Percentage of interest (direct and indirect)**		**Assets**		**Liabilities**		**Equity**		**Net income (loss) for the six-month periods ended June 30,**	
		As of June 30, 2020	**As of December 31, 2019**	**As of June 30, 2020**	**As of December 31, 2019**	**As of June 30, 2020**	**As of December 31, 2019**	**As of June 30, 2020**	**As of December 31, 2019**	**2020**	**2019**
		%	**%**	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**
Banco de Crédito del Perú and Subsidiaries (a)	Banking, Peru	97.71	97.71	181,473,444	152,426,848	164,406,181	133,456,760	17,067,263	18,970,088	(636,553)	1,846,676
Inversiones Credicorp Bolivia S.A. and Subsidiaries (b)	Banking, Bolivia	99.96	99.96	11,574,618	10,552,154	10,840,800	9,773,372	733,818	778,782	(26,423)	47,510
Prima AFP (c)	Private pension fund administrator, Peru	100.00	100.00	951,560	982,591	353,019	284,643	598,541	697,948	47,153	107,367
Krealo SpA and Subsidiaries (d)	Holding, Chile	100.00	100.00	88,087	72,847	45,201	41,765	42,886	31,082	(7,099)	–

(a) BCP was established in 1889 and its activities are regulated by the Superintendency of Banks, Insurance and Pension Funds -Perú (the authority that regulates banking, insurance and pension funds activities in Perú, hereinafter "the SBS").

Its main subsidiary is Mibanco, Banco de la Microempresa S.A. (hereinafter "MiBanco"), a banking entity in Peru oriented towards the micro and small business sector. As of June 30, 2020, the assets, liabilities, equity and net result of Mibanco amount to approximately S/13,408.3 million, S/11,559.3 million, S/1,849.0 million and S/(244.0) million, respectively (S/13,741.7 million, S/11,655.7 million, S/2,086.0 million, and S/401.0 million, respectively as of December 31, 2019).

(b) Inversiones Credicorp Bolivia S.A. (hereinafter "ICBSA") was established in February 2013 and its objective is to make capital investments for its own account or for the account of third parties in companies and other entities providing financial services, exercising or determining the management, administration, control and representation thereof, both nationally and abroad, for which it can invest in capital markets, insurance, asset management, pension funds and other related financial and/or stock exchange products.

Its principal subsidiary is Banco de Crédito de Bolivia (hereinafter "BCB"), a commercial bank which operates in Bolivia. As of June 30, 2020, the assets, liabilities, equity and net result of BCB were approximately S/11,538.1 million, S/10,840.1 million, S/698.0 million and S/(33.0) million, respectively (S/10,480.9 million, S/9,743.9 million, S/737.0 million and S/79.0 million, respectively as of December 31, 2019).

(c) Prima AFP is a private pension fund and its activities are regulated by the SBS.

(d) Krealo SpA (hereinafter "Krealo") was established in January 2019; and is oriented to make capital investments outside the country. On July 1, 2019, Krealo acquired Tenpo SpA and Multicaja Prepago S.A.

(ii) Pacífico Seguros is an entity regulated by the SBS and its activities comprise the contracting and management of all types of general risk and life insurance, reinsurance and property investment and financial operations. Its subsidiaries are Crediseguro Seguros Personales, Crediseguro Seguros Generales and Pacifico Asiste and it has Pacífico Entidad Prestadora de Salud as an associate, which are dynamic participants in the business of multiple and health insurance, respectively.

(iii) Its most important subsidiary is Atlantic Security Bank (ASB), which is incorporated in the Cayman Islands and operates through branches and offices in Grand Cayman and the Republic of Panama; its main activities are private and institutional banking services and trustee administration, mainly for BCP's Peruvian customers.

(iv) Credicorp Capital Ltd. was formed in 2012, and its main subsidiaries are Credicorp Capital Holding Peru (owner of Credicorp Capital Perú S.A.A.), Credicorp Holding Colombia (owner of Credicorp Capital Colombia S.A. and Banco Compartir S.A.), and Credicorp Capital Holding Chile (owner of Credicorp Capital Chile), which carry out their activities in Peru, Colombia and Chile, respectively. We present below the consolidated financial statements in accordance with IFRS and before eliminations for consolidation purposes:

Entity	**Percentage of interest (direct and indirect)**		**Assets**		**Liabilities**		**Equity**		**Net income (loss) for the six-month periods ended June 30,**	
	As of June 30, 2020	**As of December 31, 2019**	**As of June 30, 2020**	**As of December 31, 2019**	**As of June 30, 2020**	**As of December 31, 2019**	**As of June 30, 2020**	**As of December 31, 2019**	**2020**	**2019**
	%	**%**	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**
Credicorp Holding Colombia S.A.S. and Subsidiaries (a)	100.00	100.00	2,800,121	3,400,683	2,128,309	2,692,520	671,812	708,163	(2,881)	10,301
Credicorp Capital Holding Chile and Subsidiaries (b)	100.00	100.00	776,853	1,161,991	622,708	1,017,072	154,145	144,919	(5,013)	3,056
Credicorp Capital Holding Perú S.A. and Subsidiaries (c)	100.00	100.00	239,522	228,421	116,498	114,913	123,024	113,508	6,837	12,843

(a) Credicorp Holding Colombia was incorporated in Colombia on March 5, 2012, and its main purpose is the administration, management and increase of its equity through the promotion of industrial and commercial activity, through investment in other companies or legal persons. Its main subsidiary is Credicorp Capital Colombia S.A.

(b) Credicorp Holding Chile was incorporated in Chile on July 18, 2012, and aims to invest for long-term profitable purposes, in corporeal goods (movable and immovable property) and incorporeal, located in Chile or abroad. Its main subsidiary is Credicorp Capital Chile S.A.

(c) Credicorp Capital Holding Perú S.A. was incorporated in Peru on October 30, 2014, and aims to be the Peruvian holding of investment banking. Its main subsidiary Credicorp Capital Perú S.A.A.; which has as its main activity the function of holding shares, participations and transferable securities in general, providing advisory services in corporate and financial matters, and investment in real estate.

(v) CCR Inc. was incorporated in 2000, its main activity is to manage loans granted to BCP by foreign financial entities, See Note 17(a)(vi). These loans are collateralized by transactions performed by BCP.

c) International Financial Reporting Standards issued but not yet effective -

The Group decided not to early adopt the following standards and interpretations that were issued but are not effective as of June 30, 2020:

(i) IFRS 17 “Insurance Contracts” -

IFRS 17 was issued in May 2017 in replacement of IFRS 4 “Insurance Contracts”. This standard requires a current measurement model, where estimate are remeasured in each reporting period. The contracts are measured using the building blocks of:

- Discounted- weighted of probability cash flows
- An explicit risk adjustment, and
- A contractual service margin which represents the unearned profit of the contract recognized as income over the coverage.

IFRS 17 applies to all types of insurance contracts (life, non-life and reinsurance insurance), regardless of the type of entities that issue them, as well as certain guarantees and financial instruments with certain discretionary participation characteristics. The general objective of IFRS 17 is to provide an accounting model that is more useful and uniform for insurance entities. Unlike IFRS 4, which relies heavily on the application of existing / local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, which covers all relevant accounting aspects.

The standard permits a choice between recognizing the changes in discount rates, either in the statement of income or directly in other comprehensive income. The choice probably reflects how insurers record their financial assets according to IFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model denominated “Variable commissions method” for certain contracts of insurers with life insurance in which the insured share the yields from the underlying elements. Upon applying the variable commissions’ method, the entity’s participation in changes in fair value of the underlying elements is included in the contractual service margin. Therefore, it is probable that the results of the insurers that use this model will be less volatile than under the general model.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

Also, its implementation will modify the recognition, measurement, presentation and disclosure of insurance contracts having a significant impact on the underlying valuation models, systems, processes, internal controls and other fundamental aspects of the insurance business.

The Group has established governance structures related to the IFRS 17 project with the Audit Committee as the highest instance. As required by the standard, currently, the entities that make up the Group are in the process of determining the impact of their application.

Initially, IFRS 17 would apply to annual periods beginning on or after January 1, 2021; however, on June 25, 2020, the IASB agreed to defer the effective date of application to annual periods beginning on or after January 1, 2023.

(ii) Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in associates and joint ventures”: Sale or contribution of assets between an investor and its associate or joint venture -

The IASB made limited scope amendments to IFRS 10 and IAS 28.

The amendments clarify the accounting treatment of the sales or contribution of assets between an investor and his associates or joint venture. These amendments confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitutes “a business” (as defined in IFRS 3 “Business combinations”).

If the non-monetary assets constitute a business, the investor will recognize the total gain or loss on the sale or contribution of assets. If the assets do not comply with the definition of “business”, the investor will recognize the gain or loss only in proportion to the investor’s investment in the associate or joint venture. The amendments will apply prospectively.

The IASB decided to defer the application date of this amendment until it has completed its research project on the equity method.

The Group is in the process of evaluating the impact of the application of these standards, and to date, it considers that there will be no significant impact on the consolidated financial statements, except for IFRS 17.

Likewise, there are no other standards or amendments to standards which have not yet become effective and are expected to have a significant impact on the Group, either in the current or future periods, as well as on expected future transactions.

4 CASH AND DUE FROM BANKS

a) The composition of the item is presented below:

	As of June 30, 2020	As of December 31, 2019
	S/(000)	S/(000)
Cash and clearing (b)	5,176,113	4,917,674
Deposits with Central Reserve Bank of Peru (BCRP) (b)	25,727,688	18,367,651
Deposits with Central Bank of Bolivia	745,201	646,865
Deposits with foreign banks (c)	3,744,943	1,408,117
Deposits with local banks (c)	697,485	481,412
Interbank funds	5,403	137,722
Accrued interest	7,980	14,601
Total cash and cash equivalents	36,104,813	25,974,042
Restricted funds	11,569	12,720
Total cash	36,116,382	25,986,762

Cash and cash equivalents presented in the interim condensed consolidated statement of cash flows exclude restricted funds.

b) Cash and clearing and deposits with Central Reserve Bank of Peru -

These accounts mainly include the legal cash requirements that subsidiaries of Credicorp, incorporated in Peru, must keep to be able to honor their obligations with the public. The composition of these funds is as follows:

	As of June 30, 2020	As of December 31, 2019
	S/(000)	**S/(000)**
Legal cash requirements (i)		
Deposits with Central Reserve Bank of Peru	12,052,491	13,727,222
Cash in vaults of Bank	4,423,479	4,132,347
Total legal cash requirements	16,475,970	17,859,569
Additional funds		
Overnight deposits with Central Reserve Bank of Peru (ii)	8,776,797	4,640,429
Term deposits with Central Reserve Bank of Peru (iii)	4,898,400	–
Cash in vaults of Bank and others	752,634	785,327
Total additional funds	14,427,831	5,425,756
Total	30,903,801	23,285,325

(i) As of June 30, 2020, cash and deposits that generate interest subject to legal cash requirements in local and foreign currency are subject to an implicit rate of 4.00 percent and 34.66 percent, respectively, on the total balance of obligations subject to legal cash requirements, as required by the BCRP (5.01 percent and 35.06 percent, respectively, as of December 31, 2019).

In Management's opinion, the Group has complied with the calculation legal cash requirements established by current regulations.

(ii) As of June 30, 2020, the Group maintains three "overnight" deposits with the BCRP, of which are one denominated in soles in amount of S/500.0 million and two in U.S Dollars in amount of US$2,339.4 million, equivalent to S/8,276.8 million. At said date, the deposit in soles and deposits in U.S Dollars accrue interest at annual rates of 0.15 percent and 0.07 percent, respectively, and have maturities at 1 day.

As of December 31, 2019, the Group maintains three “overnight” deposits with the BCRP, which are one denominated in soles in amount of S/360.0 million and two in U.S Dollars in amount of US$1,291.6 million, equivalent to S/4,280.4 million. At said date, deposit in soles and deposits in U.S Dollars accrue interest at annual rates of 1.00 percent and 1.57 percent, respectively, and have maturities at 2 days.

(iii) In order to temporarily control the liquidity generated by the disbursement of the repurchase credit agreement with Guarantee of the National Government represented in securities, that took place between May and June 2020, the BCRP offered profitable rates for short-terms deposits, in this sense, the Group maintains ten term deposits, which are denominated in soles. At said date, the deposits accrue interest at annual rates of 0.24 percent and 0.25 percent and have maturities between 1 and 7 of July, 2020.

c) Deposits with local and foreign banks -

Deposits with local and foreign banks mainly consist of balances in soles and U.S. dollars; these are cash in hand and earn interest at market rates. As of June 30, 2020 and December 31, 2019 Credicorp and its subsidiaries do not maintain significant deposits with any bank in particular.

5 CASH COLLATERAL, REVERSE REPURCHASE AGREEMENTS AND SECURITIES BORROWING AND PAYABLES FROM REPURCHASE AGREEMENTS AND SECURITIES LENDING

a) We present below the composition of cash collateral, reverse repurchase agreements and securities borrowing:

	As of June 30, 2020	As of December 31, 2019
	S/(000)	S/(000)
Cash collateral on repurchase agreements and security lendings (i)	2,309,282	3,293,837
Reverse repurchase agreement and security borrowings	527,738	899,435
Receivables for short sales	83,769	95,252
Total	2,920,789	4,288,524

(i) As of June 30, 2020, the balance mainly comprises cash collateral for approximately US$485.6 million, equivalent to S/1,718 million, delivered to BCRP to secure a borrowing in soles of approximately S/1,652.5 million from the same entity (cash collateral for approximately US$844.5 million, equivalent to S/2,798.7 million, and borrowing of approximately S/2,800.4 million, as of December 31, 2019).

Cash collateral granted bears interest at an average annual effective interest rate according to market rates. The related liability is presented in “Payables from repurchase agreements and securities lending” of the interim condensed consolidated statement of financial position, see paragraph (c) below.

b) Credicorp, through its subsidiaries, obtains financing through “Payables from repurchase agreements and securities lending” by selling financial instruments and committing to repurchase them at future dates, including interest at a fixed rate. The details of said transactions are as follows:

		As of June 30, 2020						As of December 31, 2019					
	Currency	Average interest rate	Up to 3 days	From 3 to 30 days	More than 30 days	Carrying amount	Fair value of underlying assets	Average interest rate	Up to 3 days	From 3 to 30 days	More than 30 days	Carrying amount	Fair value of underlying assets
		%	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	%	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Debt instruments (c)			104,895	101,223	9,058,194	9,264,312	10,029,615		64,900	25,699	6,240,866	6,331,465	6,709,182
Instruments issued by the Colombian Government	Colombian pesos	4.14	684,118	35,210	3,614	722,942	720,175	5.49	135,997	941,431	−	1,077,428	1,077,917
Instruments issued by the Chilean Government	Chilean pesos	0.03	13,790	−	−	13,790	13,790	0.20	130,551	44,411	−	174,962	175,054
Reactiva Peru program (*)	Soles	0.50	−	−	12,374,114	12,374,114	12,374,114	−	−	−	−	−	−
Other instruments		2.67	62,584	−	−	62,584	64,027	2.07	70,997	16,809	6,355	94,161	105,086
			865,387	136,433	21,435,922	22,437,742	23,201,721		402,445	1,028,350	6,247,221	7,678,016	8,067,239

(*) It corresponds to Agreement Transactions where BCP and MiBanco sell representing credit securities guaranteed by the BCRP, they receive soles and are obliged to buy them back at a later date. The credit representing securities with guarantee of the National Government may have the form of a portfolio of credit representing titles or of Certificates of Participation in trustee of the loan portfolio guaranteed by the National Government. The BCRP will charge a fixed interest annual rate in soles of 0.5 percent for the operation and will include a grace period of twelve months without payment of interest or principal. See more details of the Reactiva Peru program in Note 2(b).

c) As of June 30, 2020 and December 31, 2019, the Group has repurchase agreements secured with: (i) cash, see Note 5(a), and (ii) investments, see Note 6(b). This item consists of the following:

		As of June 30, 2020			As of December 31, 2019		
Counterparties	Currency	Maturity	Carrying amount	Collateral	Maturity	Carrying amount	Collateral
			S/(000)			S/(000)	
BCRP	Soles	July 2020 / April 2022	5,360,353	Investments	June 2020 / November 2020	1,504,088	Investments
BCRP, Note 5(a)(i)	Soles	August 2020 / March 2023	1,652,500	Cash with BCRP	February 2020 / October 2020	2,800,400	Cash with BCRP
Natixis S.A.	Soles	August 2020 / August 2028	570,000	Investments	August 2020 / August 2028	570,000	Investments
Banco Central de Bolivia	Bolivianos	February 2021 / June 2022	479,552	Cash	May 2020 / February 2021	398,586	Cash
Nomura International PLC	U.S. Dollar	August 2020	283,040	Investments and cash	August 2020	265,120	Investments and cash
Nomura International PLC	U.S. Dollar	August 2020	247,660	Investments and cash	August 2020	231,980	Investments and cash
Citigroup Global Market Limited	U.S. Dollar	August 2026	159,210	Investments	August 2026	149,130	Investments
Banco de la República de Colombia	Colombian pesos	July 2020 / November 2020	103,211	Investments	-	−	-
Citigroup Global Markets Limited	Soles	August 2020	100,000	Investments	August 2020	100,000	Investments
Banco de la República	Colombian pesos	July 2020	94,118	Investments	January 2020	64,540	Investments
Natixis S.A	U.S. Dollar	August 2026	88,450	Investments	August 2026	82,850	Investments
Naitixis S.A.	U.S. Dollar	October 2020	37,936	Investments	-	−	-
Others below S/11.0 million	-	July 2020 / April 2033	10,777	Investments	January 2020 / April 2033	64,970	Investments
Accrued interest			77,505			99,801	
			9,264,312			6,331,465	

As of June 30, 2020, said operations accrue interest at fixed and variable rates between 0.40 percent and 7.20 percent and between Libor 3M + 0.80 percent and Libor 6M + 1.90 percent, respectively, (between 2.6 percent and 7.20 percent and between Libor 3M + 0.80 percent and Libor 6M + 1.90 percent, respectively, as of December 31, 2019). Also, certain repurchase agreements were hedged using interest rate swaps (IRS) and cross-currency swaps (CCS), see Note 13(b).

6 INVESTMENTS

a) Investment at fair value through profit or loss consist of the following:

	As of June 30, 2020 S/(000)	As of December 31, 2019 S/(000)
Government treasury bonds (i)	2,035,101	1,276,573
Certificates of deposit BCRP (ii)	743,727	–
Mutual funds (iii)	483,777	593,552
Restricted mutual funds (iv)	438,963	460,086
Participation in RAL Funds (v)	343,379	300,398
Investment funds	283,554	327,659
Corporate bonds	257,047	326,673
Shares (vi)	211,279	83,085
Subordinated bonds	58,684	80,084
Central Bank of Chile bonds	38,205	182,540
Multilateral organization bonds	36,783	53,353
Royalty Pharma (vii)	5,510	68,584
Others (viii)	157,325	93,204
Balance before accrued interest	5,093,334	3,845,791
Accrued interest	25,661	4,971
Total	5,118,995	3,850,762

The increase of the investments as of June 30, 2020 compared to December 31, 2019, is mainly because various measures were taken to reduce losses in this situation of COVID-19. See more details in Note 2(b).

(i) As of June 30, 2020 and December 31, 2019, the balance of these instruments includes the following government treasury bonds:

	As of June 30, 2020 S/(000)	As of December 31, 2019 S/(000)
Colombian Treasury bonds	1,056,013	1,102,865
Peruvian Treasury bonds	807,628	95,308
Brasil Treasury bonds	116,044	–
Chile Treasury bonds	1,953	–
Mexico Treasury bonds	53,463	–
U.S. treasury and federal agency bonds	–	78,400
Total	2,035,101	1,276,573

(ii) As of June 30, 2020, the balance corresponds to 2,103 certificates of re-adjustable deposit for US$210.2 million, equivalent to S/743.7 million, whose interest rates are from 0.24 percent to 0.25 percent, and with maturity in July and August 2020. The variation corresponds to the purchase of instruments issued through public auction by BCRP in May and in June as part of an exchange operation in order to regulate the liquidity of the financial system.

(iii) The decrease in the balance corresponds mainly to the fact that part of this funds was used to dividend payments by Pacífico Seguros.

(iv) The restricted mutual funds comprise the participation quotas in the private pension funds managed by the Group, and are maintained in compliance with the legal regulations in Peru. Their availability is restricted and the yield received is the same as that received by the private pension funds managed.

(v) As of June 30, 2020, these funds are approximately S/183.8 million in bolivianos and S/159.6 million in U.S. Dollars (S/166.9 million in bolivianos and S/133.5 million in U.S. Dollars as of December 31, 2019) and comprise the investments made by the Group in the Central Bank of Bolivia as collateral for deposits received from the public. These funds have restrictions for their use and are required from all banks in Bolivia.

(vi) The increase of the balance corresponds mainly to an exchange of RPI International Holding, LP's participations into Royalty Pharma plc's ordinary shares (see item vii). As of June 30, 2020, the balance includes 972,115 new shares of Royalty Pharma plc for US$47.2 million, equivalent to S/167.0 million.

(vii) It corresponds to participations in RPI International Holding, LP, who invests in a series of subordinate funds whose objective is to invest in Royalty Pharma Investments, an investment fund established under the laws of Ireland. This investment fund is dedicated to buying medical and biotechnology patents. Participations in RPI International Holdings, LP, are not liquid and require authorization for negotiation.

On June 29, 2020, Atlantic Security Bank (ASB) exchanged 97,355 of its participations in RPI International Holding, LP, for 973,545 shares of Royalty Pharma plc, a public company established under the laws of England and Wales, whose shares are listed on the Nasdaq Stock Exchange; at the date of said transaction, the unit prices of the participations and shares amounted to US$205.10 and US$20.51, respectively. It is worth mentioning that this transaction was realized as a result of Royalty Pharma plc executed its Initial Public Offering of Shares (IPO) in June 2020.

In this sense, the decrease of the balance is mainly due to the exchange mentioned in the paragraph before; as of June 30, 2020, the balance corresponds to 7,594 participations for approximately US$1.56 million equivalent to S/5.5 million (as of December 31, 2019, 112,187 participations for US$20.7 million equivalent to S/68.6 million).

During the six-month periods ended June 30, 2020 and 2019, the Group has received dividends from these participations for S/1.1 million and S/0.9 million respectively; which are presented in the item of "Interest and similar income" of the interim condensed consolidated statement of income.

(viii) The increase of the balance corresponds mainly to: (i) a greater investment in hedge funds, denominated in U.S. dollars and in Colombian pesos, equivalent to approximately S/23.1 million, (ii) constitution of a time deposit denominated in soles for S/20.0 million, this deposit accrues interest at annual rate of 1.20 percent and matures on September 30, 2020 (it corresponds to a deposit with a maturity greater than 90 days), and (iii) a greater investment in ADR (American Depositary Receipt), denominated in U.S. dollars, equivalent to approximately S/16.8 million.

b) Investments at fair value through other comprehensive income consist of the following:

	As of June 30, 2020				As of December 31, 2019			
		Unrealized gross amount				Unrealized gross amount		
	Amortized cost	Profits	Losses	Estimated fair value	Amortized cost	Profits	Losses	Estimated fair value
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Debts instruments:								
Corporate bonds (i)	10,511,855	809,604	(97,517)	11,223,942	7,974,080	706,394	(8,322)	8,672,152
Certificates of deposit BCRP (ii)	10,240,121	56,018	(6)	10,296,133	8,649,885	15,388	(1)	8,665,272
Government treasury bonds (iii)	7,594,896	755,131	(16,999)	8,333,028	6,009,137	690,048	(1,109)	6,698,076
Securitization instruments (iv)	665,142	58,808	(11,361)	712,589	580,778	53,328	(8,344)	625,762
Negotiable certificates of deposit	469,217	1,615	(1,143)	469,689	369,016	856	(303)	369,569
Subordinated bonds	164,042	15,383	(523)	178,902	150,172	14,085	(100)	164,157
Others	166,224	10,121	(599)	175,746	167,529	7,896	-	175,425
	29,811,497	1,706,680	(128,148)	31,390,029	23,900,597	1,487,995	(18,179)	25,370,413
Equity instruments designated at the initial recognition								
Shares issued by:								
Inversiones Centenario	112,647	169,944	–	282,591	112,647	195,305	-	307,952
Bolsa de Valores de Lima	19,423	3,365	–	22,788	19,423	2,115	-	21,538
Alicorp S.A.A.	12,198	174,382	–	186,580	12,198	201,567	-	213,765
Bolsa de Comercio de Santiago	5,548	4,410	–	9,958	4,964	5,688	-	10,652
Compañía Universal Textil S.A.	9,597	248	(3,432)	6,413	9,597	248	(3,432)	6,413
Pagos Digitales Peruanos S.A.	930	–	(930)	–	5,197	-	-	5,197
Bolsa de Valores de Colombia	998	3,492	(109)	4,381	872	4,070	(53)	4,889
Corporación Andina de Fomento	–	–	–	–	4,441	181	-	4,622
Others	4,203	2,173	–	6,376	2,638	1,533	-	4,171
	165,544	358,014	(4,471)	519,087	171,977	410,707	(3,485)	579,199
Balance before accrued interest	29,977,041	2,064,694	(132,619)	31,909,116	24,072,574	1,898,702	(21,664)	25,949,612
Accrued interest				304,549				253,111
Total				32,213,665				26,202,723

The increase of the investments as of June 30, 2020 compared to December 31, 2019, is mainly because various measures were taken to reduce losses in this situation of COVID-19. See more details in Note 2(b).

The Management of Credicorp has determined that the unrealized losses on investment at fair value through other comprehensive income as of June 30, 2020 and December 31, 2019 are of a temporary nature, considering factors such as intended strategy in relation with the identified security or portfolio, its underlying collateral and credit rating of the issuers. As of June 30, 2020, as a result of assessment of the impairment of its investments at fair value through other comprehensive income, the Group recorded a provision of credit loss of S/37.7 million (provision of credit loss of S/2.2 million during the six-month period ended June 30, 2019), which is shown in “Net gain on securities” in the interim condensed consolidated statement of income. Also, Management has decided and has the ability to hold each investment for a period of time sufficient to allow for an anticipated recovery in fair value, until the earlier of its anticipated recovery or maturity.

As of June 30, 2020 and December 31, 2019, the Group has not reclassified instruments from the portfolio of investments at fair value through other comprehensive income to investments at amortized cost.

The maturities and annual market rates of investments at fair value through other comprehensive income as of June 30, 2020 and December 31, 2019, are as follows:

	Maturities		Annual effective interest rate											
	As of June 30, 2020	As of December 31, 2019	As of June 30, 2020						As of December 31, 2019					
			S/		US$		Other		S/		US$		Other	
			Min %	Max %	Min %	Max %	Min %	Max %	Min %	Max %	Min %	Max %	Min %	Max %
Corporate bonds (*)	Jul-2020 / Feb-2065	Jan-2020 / Feb-2065	(1.85)	14.06	0.34	10.70	0.91	7.20	1.09	8.16	0.47	8.25	0.62	6.55
Certificates of deposit BCRP	Jul-2020 / Mar-2023	Jan-2020 / Jul-2021	0.24	1.26	0.25	0.25	–	–	2.02	2.35	-	-	-	-
Government treasury bonds (**)	Jul-2020 / Apr-2120	Jan-2020 / Feb-2055	(0.22)	5.50	0.04	5.15	2.52	3.09	0.55	5.31	1.11	4.61	0.43	0.82
Securitization instruments	Jul-2020 / Sep-2045	May-2020 / Sep-2045	2.31	12.66	2.47	8.65	1.68	6.00	2.46	13.26	3.08	9.14	1.68	6.00
Negotiable certificates of deposits	Jul-2020 / Dec-2026	Jan-2020 / Dec-2026	1.99	3.53	1.20	2.68	1.00	4.75	3.27	4.01	2.48	2.68	1.00	4.98
Subordinated bonds	Apr-2022 / Aug-2045	Apr-2022 / Aug-2045	0.42	5.65	1.96	5.37	–	–	1.21	5.52	3.27	5.23	1.53	1.53
Others	Oct-2020 / Feb-2035	Jan-2020 / Jan-2028	0.52	6.53	3.66	6.92	–	–	1.95	3.73	4.73	6.92	-	-

(*) As of June 30, 2020, the annual effective interest rates of (1.85) percent and 14.06 percent correspond to bonds issued by JP Morgan Chase & Co. and Rutas de Lima S.A.C., respectively; excluding such interest rates, the ranges are from (0.07) percent to 11.74 percent.

(**) As of June 30, 2020, the annual effective interest rate of (0.22) percent correspond to a bond issued by the Peruvian Treasury; excluding such interest rate, the range starts from 0.84 percent.

Likewise, as of June 30, 2020, the Group entered into repurchase agreement transactions for corporate bonds, multilateral organization bonds and foreign government bonds classified as investments at fair value through other comprehensive income, for an estimated fair value of S/3,286.3 million (S/1,588.7 million as of December 31, 2019), of which the related liability is presented in “Payables from repurchase agreements and securities lending” of the interim condensed consolidated statement of financial position, see Note 5(c).

(i) As of June 30, 2020, the largest unrealized loss respect to the balance as of December 31, 2019 is due to the COVID-19 crisis, which had a greater impact in the sectors (i) communications, storage and transportation, (ii) electricity, gas and water, and (iii) financial services, amounting to S/50.2 million, S/16.9 million and S/15.2 million, respectively; generated mainly by Peruvian, Colombian and United States issuers for S/66.0 million, S/5.7 million and S/4.4 million, respectively.

Likewise, the unrealized gain reflected as of June 30, 2020, is due to the strategies and performance of the stock market, which are mentioned in Note 2 (b).

(ii) As of June 30, 2020, the Group maintains 102,933 certificates of deposits BCRP (87,530 as of December 31, 2019); which are instruments issued at discount through public auction, traded on the Peruvian secondary market and payable in soles.

(iii) As of June 30, 2020 and December 31, 2019, the balance includes the following Government Treasury Bonds:

	As of June 30, 2020	**As of December 31, 2019**
	S/(000)	**S/(000)**
Peruvian treasury bonds	6,779,500	5,959,066
U.S. treasury and federal agency bonds (*)	1,189,199	391,475
Chilean treasury bonds	183,927	173,364
Bolivian treasury bonds	65,774	72,516
Colombian treasury bonds	65,426	61,009
Others	49,202	40,646
Total	8,333,028	6,698,076

(*) The balance includes new bonds issued by Treasury Bill for US$225.0 million, equivalent to S/796.0 million, which accrue annual effective interest from 0.04 percent to 0.12 percent, and have maturities from July 1, 2020 to August 6, 2020.

(iv) As of June 30, 2020 and December 31, 2019, the balance of securitization instruments includes the following:

	As of June 30, 2020	**As of December 31, 2019**
	S/(000)	**S/(000)**
Inmuebles Panamericana	169,205	169,959
Abengoa Transmisión del Norte	95,307	87,377
Costa de Sol S.A.	51,930	–
Industrias de Aceite S.A.	42,982	32,050
Nessus Hoteles Perú S.A.	42,794	39,768
Colegios Peruanos S.A.	34,966	37,585
Fábrica Nacional de Cemento S.A.	33,605	31,512
Homecenters Peruanos S.A.	33,443	35,269
Others	208,357	192,242
Total	712,589	625,762

The instruments have semiannual payments until 2045.The pool of underlying assets consists mainly of accounts receivable from income, revenues for services and from maintenance and marketing contributions (Inmuebles Panamericana), accounts receivable for electrical transmission services from the Carhuamayo - Cajamarca line (Abengoa Transmisión Norte) and accounts receivable for the transformation and commercialization of agribusiness products (Industrias de Aceite S.A.).

c) Amortized cost investments consist of the following:

	As of June 30, 2020	
	Carrying amount S/(000)	Fair value S/(000)
Peruvian sovereign bonds (i)	4,079,265	4,556,855
Foreign government bonds (i)	24,331	24,331
Certificates of payment on work progress (CRPAO) (ii)	97,155	101,425
Sub total	4,200,751	4,682,611
Accrued interest	104,160	104,160
Total investments at amortized cost	4,304,911	4,786,771
Provision for credit losses	(525)	(525)
Total investments at amortized cost, net	4,304,386	4,786,246

	As of December 31, 2019	
	Carrying amount S/(000)	Fair value S/(000)
Peruvian sovereign bonds (i)	3,277,667	3,694,631
Foreign government bonds (i)	21,168	21,168
Certificates of payment on work progress (CRPAO) (ii)	100,298	103,015
Sub total	3,399,133	3,818,814
Accrued interest	78,180	78,180
Total investments at amortized cost	3,477,313	3,896,994
Provision for credit losses	(267)	(267)
Total investments at amortized cost, net	3,477,046	3,896,727

The increase of the investments as of June 30, 2020 compared to December 31, 2019, is mainly because various measures were taken to reduce losses in this situation of COVID-19. See more details in Note 2(b).

(i) As of June 30, 2020, said bonds have maturities between July 2020 and February 2042, accruing interest at an annual effective interest rate between 0.25 percent and 5.35 percent on bonds denominated in soles and between 0.00 percent and 3.05 percent annual on bonds issued in other currencies (as of December 31, 2019, have maturities between January 2020 and February 2042, accruing interest at an annual effective interest rate between 2.14 percent and 5.28 percent on bonds denominated in soles and between 0.45 percent and 2.53 percent on bonds issued in other currencies).

It is worth mentioning that the instruments with an interest rate of 0.00 percent corresponds to bonds issued by the Colombian Government, whose issue indicators on the date of acquisition were at very low levels; however, Banco Compartir S.A. invested in these instruments because it is a Colombian company and must invest in them according to local regulations, with the objective that the funds acquired by the Colombian Government are destined for the development and incentive of certain economic sectors.

Likewise, Credicorp Management has determined that as of June 30, 2020, the difference between amortized cost and the fair value of these investments is temporary in nature and Credicorp has the intention and ability to hold each of these investments until its maturity.

As of June 30, 2020, the Group has repurchase agreement transactions for investments at amortized cost for an estimated fair value of S/3,880.6 million (S/1,569.3 million as of December 31, 2019), the related liability for which is presented in the caption "Payables from repurchase agreements and securities lending" in the interim condensed consolidated statement of financial position, see Note 5(c).

(ii) As of June 30, 2020, there are 137 certificates of Annual Recognition of Payment on Work Progress - CRPAO from Spanish acronym (153 CRPAOs as of December 31, 2019), issued by the Peruvian Government to finance projects and concessions. Said issuance is a mechanism established in the concession agreement signed between the State and the concessionaire, which allows the latter to obtain financing to continue with the work undertaken. Said investment mature between July 2020 and April 2026, accruing interest at an annual effective rate between 2.72 percent and 4.10 percent as of June 30, 2020 (between January 2020 and April 2026, accruing interest at an annual effective rate between 3.74 percent and 4.67 percent as of December 31, 2019).

On July 30, 2019, the Assets and Liabilities Committee (ALCO) approved the request to change the Atlantic Security Bank (ASB) business model to manage its investments according to its new balance sheet structure, which generated a reclassification of the entire investment portfolio classified as amortized cost to the investment portfolio at fair value with changes in other comprehensive income and then sell them and acquire new investments that adapt to the new investment portfolio strategy.

The value of the investments at amortized cost as of July 30, 2019 amounted to US$73,030.4 (in thousands) with a fluctuation amounting to US$2,117.5 (in thousands), with a market value of US$ 75,147.9 (in thousands) and finally an expected credit loss of US$82.4 (in thousands). The fluctuation and expected credit loss were recorded in other comprehensive income.

d) The table below shows the balance of investments classified by maturity, without consider accrued interest or provision for credit loss:

	As of June 30, 2020		
	At fair value through profit or loss	**At fair value through other comprehensive income**	**Amortized cost**
	S/(000)	**S/(000)**	**S/(000)**
Up to 3 months	838,006	6,694,327	872,651
From 3 months to 1 year	230,925	5,614,793	38,872
From 1 to 3 years	381,158	3,598,194	45,115
From 3 to 5 years	315,719	2,720,029	684,652
More than 5 years	1,751,544	12,762,686	2,559,461
Without maturity	1,575,982	519,087	–
Total	5,093,334	31,909,116	4,200,751

	As of December 31, 2019		
	At fair value through profit or loss	At fair value through other comprehensive income	Amortized cost
	S/(000)	S/(000)	S/(000)
Up to 3 months	237,624	2,420,464	9,969
From 3 months to 1 year	269,199	6,694,486	908,271
From 1 to 3 years	472,215	2,155,053	42,440
From 3 to 5 years	289,393	2,961,767	690,289
More than 5 years	1,029,883	11,138,643	1,748,164
Without maturity	1,547,477	579,199	–
Total	3,845,791	25,949,612	3,399,133

7 LOANS, NET

a) This item consists of the following:

	As of June 30, 2020	As of December 31, 2019
	S/(000)	S/(000)
Direct loans -		
Loans	110,870,673	91,481,200
Leasing receivables	6,108,170	5,978,421
Credit cards	7,040,432	8,479,355
Discounted notes	1,434,005	2,200,142
Factoring receivables	1,217,683	2,015,513
Advances and overdrafts in current account	125,800	162,149
Refinanced loans	1,182,899	1,186,167
Restructured loans	–	125
Total direct loans	127,979,662	111,503,072
Internal overdue loans and under legal collection loans	3,850,806	3,304,886
	131,830,468	114,807,958
Add (less) -		
Accrued interest	1,257,490	870,410
Unearned interest	(346,238)	(68,689)
Total direct loans	132,741,720	115,609,679
Allowance for loan losses (c)	(8,412,544)	(5,123,962)
Total direct loans, net	124,329,176	110,485,717

The increase of the credits, accrued interest and unearned interest as of June 30, 2020 compared to December 31, 2019, is mainly due to the credits disbursed from the Reactiva Peru program between the months of May and June 2020. The total granted through this program as of June 2020 is S/14,588.0 million. See more details of the Reactiva Péru program in the Note 2(b).

The government, to serve small companies that the Reactiva Perú program does not reach, has established the Business Support Fund for the MYPE (FAE-MYPE) which represents for MiBanco as of June 2020 a total of S/359.7MM. See more details of the FAE-MYPE program in the Note 2(b).

Likewise, due COVID-19 Pandemic effects, BCP and MiBanco, the main Subsidiaries of Credicorp have offered its clients in Retail Banking the opportunity to reschedule their loans for 30 or 90 days without incurring in overdue fees and interest on capital. As of June 2020, the rescheduled portfolio amounts to a total of S/35,474.0 million.

In the loan portfolio, the most vulnerable segments are: MiBanco and within BCP stand-alone SME-Pyme and individuals, where debt reprogramming rates reached 56.0 percent, 65.0 percent and 56.0 percent respectively at the end of June.

b) As of June 30, 2020 and December 31, 2019, the composition of the gross credit balance is as follows:

	As of June 30, 2020	**As of December 31, 2019**
	S/(000)	**S/(000)**
Direct loans	131,830,468	114,807,958
Indirect loans, Note 21(a)	19,271,152	21,081,035
Banker’s acceptances outstanding	331,591	535,222
Total	151,433,211	136,424,215

The composition of gross balance of direct and indirect loans and the allowance of loan losses by stages is as follows:

	Direct and indirect loans		Allowance for loan losses of direct and indirect loans	
Loans by class	**As of June 30, 2020**	**As of December 31, 2019**	**As of June 30, 2020**	**As of December 31, 2019**
	S/000	**S/000**	**S/000**	**S/000**
Stage 1				
Commercial loans	86,177,829	75,838,248	671,744	388,685
Residential mortgage loans	17,764,648	17,903,028	89,349	38,085
Micro-business loans	11,542,793	13,782,323	599,822	425,642
Consumer loans	10,055,744	12,222,858	697,975	248,355
Total	125,541,014	119,746,457	2,058,890	1,100,767
Stage 2				
Commercial loans	6,691,784	4,883,039	392,404	166,135
Residential mortgage loans	1,173,120	778,702	80,163	25,684
Micro-business loans	6,212,418	1,839,597	1,166,090	249,960
Consumer loans	3,264,407	2,210,504	1,212,284	513,431
Total	17,341,729	9,711,842	2,850,941	955,210
Stage 3				
Commercial loans	5,243,629	3,771,417	1,633,985	1,315,227
Residential mortgage loans	1,123,162	994,991	539,172	472,711
Micro-business loans	1,282,718	1,350,858	999,105	960,885
Consumer loans	900,959	848,650	800,905	702,959
Total	8,550,468	6,965,916	3,973,167	3,451,782
Consolidated 3 Stages				
Commercial loans	98,113,242	84,492,704	2,698,133	1,870,047
Residential mortgage loans	20,060,930	19,676,721	708,684	536,480
Micro-business loans	19,037,929	16,972,778	2,765,017	1,636,487
Consumer loans	14,221,110	15,282,012	2,711,164	1,464,745
Total	151,433,211	136,424,215	8,882,998	5,507,759

During the second quarter of the year, Credicorp's provisions increased significantly due to projected effects related to COVID-19. The internal credit risk management models were reviewed, incorporating methodological adjustments and new sources of information, such as customer surveys on the impact COVID-19 and new transactional variables that better capture the situation, evolution and the impact of COVID-19. These led to new calibrations of PD models complementary to those already existing in the expected loss models, seeking greater granularity and a better capture of the real situation of customer deterioration. This change mainly affected the SME and Consumer portfolios. Likewise, in line with what is expected in the short and medium term, the macroeconomic projections and the weights of the scenarios were updated, considering the contraction expectations of the Peruvian economy for 2020, going from (5.3) percent to (10.8) percent, to end of the first and second quarters of 2020, respectively.

c) The allowance for loan loss for direct and indirect loans was determined under the expected credit loss model as established in IFRS 9. The movement of the allowance for loan loss for direct and indirect loans is shown below:

	For the six-month periods ended June 30,	
	2020 S/(000)	2019 S/(000)
Balance at beginning of period	5,507,759	5,314,531
Provision for credit losses on loan	3,946,369	963,329
Written-offs loans	(600,976)	(848,451)
Exchange differences and others (*)	29,846	(144,778)
Balance ended of period (**)	8,882,998	5,284,631

(*) The variation of the item for the first semester of 2020 with respect to the first semester of 2019, corresponds to the lower sale of portfolio and the greater provision recorded because of the increase in the exchange rate of the Sol against U.S. Dollar (3.538 as of June 2020 and 3.287 as of June 2019, respectively).

(**) The movement in the allowance for loan losses for the six-month period ended June 30, 2020 includes the allowance for direct and indirect loans for approximately S/8,412.5 million and S/470.5 million, respectively (approximately S/5,124.0 million and S/383.8 million, respectively, as of December 31, 2019). The expected loan loss for indirect loan is included in "Other liabilities" of the interim condensed consolidated statement of financial position, Note 13(a). In Management's opinion, the allowance for loan losses recorded as of June 30,2020 and December 31, 2019 has been established in accordance with IFRS 9 and is sufficient to cover incurred losses on the loan portfolio.

d) Interest rates on loans are set considering the rates prevailing in the markets where the Group's subsidiaries operate.

e) A portion of the loan portfolio is collateralized with guarantees received from customers, which mainly consist of mortgages, trust assignments, securities and industrial and mercantile pledges.

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

	As of June 30, 2020 S/(000)	As of December 31, 2019 S/(000)
Outstanding loans -		
Up to 1 year	53,174,520	53,306,936
From 1 to 3 years	34,345,795	24,586,441
From 3 to 5 years	13,407,776	9,615,514
More than 5 years	27,051,571	23,994,181
	127,979,662	111,503,072
Internal overdue loans -		
Overdue 90 days	587,528	692,161
Over 90 days	3,263,278	2,612,725
	3,850,806	3,304,886
Total	131,830,468	114,807,958

See credit risk analysis in Note 34.1.

8 FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group issues Investment Link life insurance contracts whereby the policyholder takes the investment risk on the assets held in the Investment Link funds as the policy benefits are directly linked to the value of the assets in the fund. The Group's exposure to market risk is limited to the extent that income arising from asset management charges is based on the value of assets in the fund.

The profit resulting from these assets is shown in "Net premiums earned" in the interim condensed consolidated statement of income. The composition of the generated returns is presented below:

	As of June 30, 2020	As of December 31, 2019
	S/(000)	S/(000)
Net profit on sale of financial investments	12,691	21,879
Changes in the fair value of financial assets	(24,211)	58,351
Dividends, interests and others	4,544	13,434
Total	(6,976)	93,664

As of June 30, 2020, the financial markets have recovered significantly compared to the previous quarter (which result was S/(98.2) million due to the consequences of COVID-19 which generated that the financial markets experienced a drop of close to 20.00 percent compared to the period 2019).

A large part of the performance of Investment Link comes from equities in which the Group has seen a recovery of almost 20.00 percent as of June 30, 2020. In the current year, with the Covid-19 crisis and the great fall in the financial markets between February and March, it is justified that the accumulated yield for the year is almost flat.

At the date of this report, there has been a recovery of the global indices, and what Credicorp seeks is to control the volatility of the portfolio in order to minimize the losses of our clients in these difficult times.

The offsetting of this effect is included in the technical reserve adjustment, which is part of the item "Net premiums earned" of the interim condensed consolidated statement of income, see Note 25.

9 ACCOUNTS RECEIVABLE AND PAYABLE FROM INSURANCE CONTRACTS

a) As of June 30, 2020 and December 31, 2019, "Premiums and other policies receivable" in the interim condensed consolidated statement of financial position includes balances for approximately S/799.6 million and S/838.7 million, respectively, which are primarily of current maturity, have no specific collateral and present no material past due balances.

b) The movements of the captions “Accounts receivable and payable to reinsurers and coinsurers” are as follows:

Accounts receivable:

	As of June 30, 2020 S/(000)	As of December 31, 2019 S/(000)
Balances as of January 1	791,704	842,043
Reported claims of premiums ceded, Note 26	112,039	321,375
Reserve risk in progress of premiums ceded, Note 25(a)(**)	(28,230)	(14,935)
Premiums assumed	−	668
Settled claims of premiums ceded by reinsurance contracts	(52,060)	(226,769)
Collections and others, net	(5,680)	(130,678)
Balances at the end of the period	817,773	791,704

Accounts receivable as of June 30, 2020 and December 31, 2019, include S/163.0 million and S/201.0 million, respectively, which correspond to the assigned portion of technical reserves for premiums ceded to the reinsurers.

Accounts Payable:

	As of June 30, 2020 S/(000)	As of December 31, 2019 S/(000)
Balances as of January 1	216,734	291,693
Premiums ceded for automatic contracts (mainly excess of loss), Note 25(a)(**)	134,905	254,839
Premiums ceded to reinsurers in facultative contracts, Note 25(a)(**)	126,687	289,386
Coinsurance granted	2,082	4,332
Payments and other, net	(259,290)	(623,516)
Balances at the end of the period	221,118	216,734

Accounts payable to reinsurers are primarily related to proportional facultative contracts (on an individual basis) for ceded premiums, automatic non-proportional contracts (excess loss) and reinstallation premiums. For facultative contracts the Group transfers to the reinsurers a percentage or an amount of an insurance contract or individual risk, based on the premium and the coverage period.

10 PROPERTY, FURNITURE AND EQUIPMENT, NET

a) The composition of property, furniture and equipment and accumulated depreciation as of June 30, 2020 and December 31, 2019 was as follows:

	As of June 30, 2020			**As of December 31, 2019**		
	Cost	**Accumulated depreciation**	**Net carrying amount**	**Cost**	**Accumulated depreciation**	**Net carrying amount**
	S/(000)	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**
Land	400,961	–	400,961	401,553	–	401,553
Buildings and other	1,163,716	(673,137)	490,579	1,156,252	(657,690)	498,562
Installations	673,433	(494,437)	178,996	653,728	(478,294)	175,434
Furniture and fixtures	480,878	(320,907)	159,971	479,748	(308,020)	171,728
Computer hardware	644,184	(570,607)	73,577	635,203	(552,023)	83,180
Vehicles and equipment	116,085	(91,139)	24,946	116,625	(88,277)	28,348
Work in progress	46,444	–	46,444	69,368	–	69,368
Total	3,525,701	(2,150,227)	1,375,474	3,512,477	(2,084,304)	1,428,173

Banks, financial institutions and insurance entities operating in Peru are not allowed to pledge their fixed assets.

In the six-month period ended June 30, 2020, the Group did not have any significant commitments to purchase property, furniture and equipment. During the year 2019, the Bank has made disbursements mainly related to the remodeling of its headquarters in La Molina and integral remodeling to the Sucursal Cusco.

Credicorp’s subsidiaries hold insurance contracts over its main assets in accordance with the policies established by Management.

Management periodically reviews the residual value, useful life and method of depreciation of the Group’s property, furniture and equipment to ensure that they are consistent with their actual economic benefits and life expectations. In Management’s opinion, as of June 30, 2020 and December 31, 2019, there is no evidence of impairment of the Group’s property, furniture and equipment.

11 INTANGIBLE ASSETS AND GOODWILL, NET

a) Intangible assets -

The composition of intangible assets with limited useful life and accumulated amortization as of June 30, 2020 and December 31, 2019 was as follows:

	As of June 30, 2020			As of December 31, 2019		
	Cost	Accumulated amortization	Net carrying amount	Cost	Accumulated amortization	Net carrying amount
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Client relationships	377,197	(257,754)	119,443	378,896	(243,951)	134,945
Brand name	171,864	(43,110)	128,754	193,247	(60,643)	132,604
Fund manager contract	89,771	(14,415)	75,356	94,143	(12,441)	81,702
Relationships with holders	21,100	(21,100)	–	21,100	(20,219)	881
Software and developments	2,798,114	(1,924,277)	873,837	2,704,561	(1,774,183)	930,378
Intangible in progress	396,810	–	396,810	363,347	–	363,347
Other	60,122	(31,313)	28,809	49,695	(27,287)	22,408
	3,914,978	(2,291,969)	1,623,009	3,804,989	(2,138,724)	1,666,265

In the six-month period ended June 30, 2020, the Group did not have any significant commitments to purchase or make intangibles. During the year 2019, the Group has made disbursements mainly related with the implementation and development of various IT projects such as DataLake, Holístico, SpotLigth, DWH, Operating Model, Client 360, Connex, Mainframe, Kalignite NDC, Small and medium businesses.

Also, during the year 2019, the activation of various intangibles in progress was carried out, mainly the DataLake system for a total cost of US$19.7 million, equivalent to S/64.9 million. This system manages the Bank's customer database and provides various financial reports.

b) Goodwill -

Goodwill acquired through business combinations has been allocated to each subsidiary or groups of them, which are also identified as a CGU for the purposes of impairment testing.

The recoverable amount of all of the CGUs has been determined based on the calculations of the fair value less selling costs, which is the present value of the discounted cash flows determined principally with assumptions of revenue and expenses projection (based on efficiency ratios).

As of June 30, 2020 and December 31, 2019, the net book balance amounted to S/851.7 million and S/886.0 million, respectively.

As of June 30, 2020, the Group has evaluated the impairment of goodwill by making an interim estimate based on the information available to date about the unusual and uncertain situation generated by COVID-19, concluding that there is no evidence of impairment at said date; therefore, during the six-month period ended June 30, 2020 and during the year 2019, the Group did not recorded any impairment loss.

12 RIGHT-OF-USE ASSETS AND LEASE LIABILITES

a) Right-of-use -

The Group has leased agreements according to the following composition:

	As of June 30, 2020			As of December 31, 2019		
	Cost	Accumulated depreciation	Net carrying amount	Cost	Accumulated depreciation	Net carrying amount
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Property: Agencies and offices	821,204	(198,184)	623,020	819,046	(130,761)	688,285
Servers and technology platforms	160,596	(60,745)	99,851	168,371	(40,591)	127,780
Spaces for ATM	29,609	(11,818)	17,791	25,146	(7,900)	17,246
Transport units	3,323	(1,489)	1,834	3,006	(971)	2,035
Other leases	9,614	(5,139)	4,475	7,394	(3,654)	3,740
	1,024,346	(277,375)	746,971	1,022,963	(183,877)	839,086

b) Lease Liabilities -

The Group maintains contracts, with certain renewal options and for which the Group has reasonable certainty that this option will be exercised. In these cases, the period of lease used to measure the liability and assets corresponds to an estimation of future renovations.

13 OTHER ASSETS AND OTHER LIABILITIES

a) This item consists of the following:

	As of June 30, 2020	As of December 31, 2019
	S/(000)	S/(000)
Other assets -		
Financial instruments:		
Receivables	1,800,999	1,311,892
Derivatives receivable (b)	1,749,092	1,092,107
Receivables from sale of invesment (g)	1,425,730	278,580
Operations in process (c)	125,401	110,389
	5,101,222	2,792,968
Non-financial instruments:		
Deferred fees (f)	1,098,124	1,056,656
Investment in associates (d)	626,992	628,822
Investment properties, net (e)	455,861	450,929
Income tax prepayments, net	207,346	191,502
Adjudicated assets, net	141,678	143,349
Improvements in leased premises	101,909	112,385
VAT (IGV) tax credit	56,743	75,605
Others	9,203	6,254
	2,697,856	2,665,502
Total	7,799,078	5,458,470

	As of June 30, 2020	As of December 31, 2019
	S/(000)	S/(000)
Other liabilities -		
Financial instruments:		
Accounts payable	1,595,335	1,670,525
Derivatives payable (b)	1,813,971	1,040,282
Accounts payable for acquisitions of investments (g)	1,906,933	311,348
Salaries and other personnel expenses	569,393	760,140
Allowance for indirect loan losses, Note 7(c)	470,454	383,797
Operations in process (c)	78,944	80,734
	6,435,030	4,246,826
Non-financial instruments:		
Taxes	343,414	644,802
Provision for sundry risks	363,784	359,853
Others	185,546	229,807
	892,744	1,234,462
Total	7,327,774	5,481,288

b) The risk in derivative contracts arises from the possibility of the counterparty failing to comply with the terms and conditions agreed and that the reference rates at which the transactions took place change.

The table below shows as of June 30, 2020 and December 31, 2019 the fair value of derivative financial instruments, recorded as an asset or a liability, together with their notional amounts and maturities. The nominal amount, recorded gross, is the amount of a derivative's underlying asset and is the basis upon which fair value of derivatives is measured.

	As of June 30, 2020				**As of December 31, 2019**				**2020 and 2019**
	Assets	**Liabilities**	**Notional amount**	**Maturity**	**Assets**	**Liabilities**	**Notional amount**	**Maturity**	**Related instruments**
	S/(000)	**S/(000)**	**S/(000)**		**S/(000)**	**S/(000)**	**S/(000)**		
Derivatives held for trading (i) -									
Interest rate swaps	788,353	960,440	24,092,555	July 2020 / December 2031	268,633	350,938	26,268,071	January 2020 / December 2031	-
Foreign currency forwards	301,088	361,059	23,676,558	July 2020 / October 2022	306,148	246,960	27,422,634	January 2020 / October 2020	-
Currency swaps	507,765	339,007	9,821,864	July 2020 / January 2033	411,656	366,545	8,177,179	January 2020 / January 2033	-
Foreign exchange options	8,084	21,527	1,789,970	July 2020 / March 2021	6,489	6,089	1,565,083	January 2020 / December 2020	-
Futures	8,096	3,792	12,737	September 2020	10	139	16,901	March 2020	-
	1,613,386	1,685,825	59,393,684		992,936	970,671	63,449,868		
Derivatives held as hedges									
Cash flow hedges -									
Interest rate swaps (IRS)	–	1,293	704,062	September 2020 / March 2021	55	714	984,258	February 2020 / November 2020	Debt to banks
Interest rate swaps (IRS)	–	1,904	530,700	November 2020 / March 2021	102	1,111	662,800	May 2020 / November 2020	Debt to banks
Interest rate swaps (IRS)	–	1,203	530,700	August 2020	315	839	994,200	May 2020 / August 2020	Debt to banks
Interest rate swaps (IRS)	–	976	530,700	August 2020 / March 2021	114	–	331,400	August 2020	Debt to banks
Interest rate swaps (IRS)	–	4,330	247,660	March 2021	–	2,555	231,980	March 2021	Bonds issued
Interest rate swaps (IRS)	–	43	176,900	September 2020	-	-	-	-	Debt to banks
Interest rate swaps (IRS)	–	3,139	106,140	March 2022	–	–	–	-	Bonds issued
Interest rate swaps (IRS)	–	–	–	-	–	447	331,400	June 2020	Debt to banks
Interest rate swaps (IRS)	–	–	–	-	–	1,046	629,660	May 2020 / June 2020	Debt to banks
Cross currency swaps (CCS)	25,889	41,062	514,051	October 2020 / September 2024	20,803	1,167	107,425	May 2021 / September 2024	Investments (*)
Cross currency swaps (CCS)	47,916	–	247,660	August 2020	30,741	–	231,980	August 2020	Repurchase agreements
Cross currency swaps (CCS)	3,947	–	176,900	January 2025	–	8,197	165,700	January 2025	Bonds issued
Cross currency swaps (CCS)	–	3,898	163,970	August 2021	–	2,823	152,545	August 2021	Bonds issued
Cross currency swaps (CCS)	–	29,330	159,210	August 2026	–	30,352	149,130	August 2026	Repurchase agreements
Cross currency swaps (CCS)	–	11,746	88,450	August 2026	–	12,236	82,850	August 2026	Repurchase agreements
Cross currency swaps (CCS)	–	–	–	-	7,624	–	331,400	January 2020	Debt to banks
Cross currency swaps (CCS) and Interest rate swaps (IRS)	57,954	702	283,040	August 2020	39,417	–	265,120	August 2020	Repurchase agreements
Fair value hedges -									
Interest rate swaps (IRS)	–	28,520	614,268	March 2022 / May 2023	–	8,124	618,790	June 2021 / May 2023	Investments (*)
	135,706	128,146	5,074,411		99,171	69,611	6,270,638		
	1,749,092	1,813,971	64,468,095		1,092,107	1,040,282	69,720,506		

(*) Corresponds to investments classified at the fair value through other comprehensive income under IFRS 9 as of June 30, 2020 and December 31, 2019.
As of June 30, 2020, the variation is mainly due to the fluctuation of market variables such as Libor rate and exchange rate, which affect the derivatives valuation.

(i) Held-for-trading derivatives are principally negotiated to satisfy customers' needs. On the other hand, the Group may also take positions with the expectation of profiting from favorable movements in prices or rates. Also, this caption includes any derivatives which do not comply with IFRS 9 hedge accounting requirements. Fair value of derivatives held for trading classified by contractual maturity is as follows:

	As of June 30, 2020						As of December 31, 2019					
	Up to 3 months	From 3 months to 1 year	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total	Up to 3 months	From 3 months to 1 year	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Interest rate swaps	10,744	17,973	109,799	47,906	601,931	788,353	3,716	8,409	38,569	8,067	209,872	268,633
Foreign currency forwards	218,971	75,842	6,275	–	–	301,088	199,070	104,265	2,813	–	–	306,148
Currency swaps	151,105	11,508	138,887	52,834	153,431	507,765	7,124	101,368	102,703	67,826	132,635	411,656
Foreign exchange options	5,367	2,717	–	–	–	8,084	1,844	4,645	–	–	–	6,489
Futures	8,096	–	–	–	–	8,096	10	–	–	–	–	10
Total assets	394,283	108,040	254,961	100,740	755,362	1,613,386	211,764	218,687	144,085	75,893	342,507	992,936

	As of June 30, 2020						As of December 31, 2019					
	Up to 3 months	From 3 months to 1 year	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total	Up to 3 months	From 3 months to 1 year	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Interest rate swaps	15,363	23,405	118,235	76,501	726,936	960,440	7,705	13,837	46,840	18,477	264,079	350,938
Foreign currency forwards	265,024	89,904	6,131	–	–	361,059	154,424	89,739	2,797	–	–	246,960
Currency swaps	128,660	27,904	122,093	26,883	33,467	339,007	41,729	92,917	79,844	50,663	101,392	366,545
Foreign exchange options	19,778	1,749	–	–	–	21,527	836	5,253	–	–	–	6,089
Futures	3,792	–	–	–	–	3,792	139	–	–	–	–	139
Total liabilities	432,617	142,962	246,459	103,384	760,403	1,685,825	204,833	201,746	129,481	69,140	365,471	970,671

c) Transactions in process include deposits received, granted and collected loans, funds transferred and other similar types of transactions, which are made in the final days of the month and not reclassified to their final accounts in the interim condensed consolidated statement of financial position until the first days of the following month. The regularization of these transactions does not affect the Group's net income.

d) Credicorp's principal associate is Entidad Prestadora de Salud (EPS), whose balance amounts to S/577.7 million and S/571.9 million as of June 30, 2020 and December 31, 2019, respectively.

e) Investment properties -

The movement of investment properties is as follows:

	As of June 30, 2020			As of December 31, 2019
	Own assets			
	Land	Buildings	Total	Total
	S/(000)	S/(000)	S/(000)	S/(000)
Cost				
Balance at January 1	253,041	238,325	491,366	484,782
Additions (i)	–	8,017	8,017	33,321
Sales (ii)	–	–	–	(26,775)
Disposals and others	256	38	294	38
Ending Period	253,297	246,380	499,677	491,366
Accumulated depreciation				
Balance at January 1	–	39,027	39,027	43,488
Depreciation for the year	–	3,375	3,375	6,727
Sales (ii)	–	–	–	(11,435)
Disposals and others	–	4	4	247
Ending Period	–	42,406	42,406	39,027
Impairment losses (iii)	689	721	1,410	1,410
Net carrying amount	252,608	203,253	455,861	450,929

Land and buildings are mainly used for office rental, which are free of all encumbrances.

(i) As of June 30, 2020, in order to consolidate the real estate projects, the Group has made disbursements mainly for the improvements of the following buildings: one of them located in Trujillo for approximately S/3.8 million and the other one located in Arequipa for approximately S/2.8 million.

As of December 31, 2019, the most important additions corresponded to the acquisition of 13th floor of Panorama Building located in the district of Santiago de Surco for approximately S/10.1 million (S/1.3 million for land and S/8.8 million for building) and land located in the district of San Martín de Porres for approximately S/8.7 million.

(ii) The amount for the sales in the year 2019, is mainly made up of the sale of a property located in Camino Real 348, San Isidro, whose sale value was S/27.5 million (cost of disposal of the property amounted to S/6.3 million); and a property located in Manuel Maria Izaga Street, located in the province of Chiclayo, whose value was S/3.4 million (cost of disposal of the property amounted to S/4.2 million).

(iii) The Group's Management has determined that the recoverable value of its investment properties is greater than their net carrying amount, with the exception of a property located in the city of Ica, for which an impairment of S/0.3 million was recorded during 2019.

As of June 30, 2020 and December 31, 2019, the market value of the property amounts to approximately S/1,007.7 million and S/937.8 million, respectively; which was determined through a valuation made by an independent appraiser.

f) As of June 30, 2020 the balances corresponds mainly to the payment in favor of Latam Airlines Group S.A. Sucursal Perú for US$188.9 million, equivalent in soles to S/668.3 million (US$202.0 million, equivalent in soles to S/669.4 million, as of December 31, 2019) on account of Latam Pass Miles that the Bank must acquire from January 2020. This advance granted is being applied with the miles awards granted to our clients for the use of the Latam Pass credit cards. Customers will then be able to use those miles directly with Latam to exchange tickets, goods or services offered by them.

g) As of June 30, 2020 and December 31, 2019, corresponds to accounts receivable and payable for the sale and purchase of financial investments negotiated during the last days of the month, which were settled during the first days of the following month.

14 DEPOSITS AND OBLIGATIONS

a) This item consists of the following:

	As of June 30, 2020	**As of December 31, 2019**
	S/(000)	**S/(000)**
Demand deposits	48,926,791	34,213,188
Time deposits (c)	28,957,175	32,853,576
Saving deposits	42,562,228	35,179,770
Severance indemnity deposits	7,441,044	7,897,199
Bank's negotiable certificates	1,062,697	1,180,461
Total	128,949,935	111,324,194
Interest payable	714,397	681,191
Total	129,664,332	112,005,385

The Group has established a policy to remunerate demand deposits and savings accounts according to a growing interest rate scale, based on the average balance maintained in those accounts; on the other hand, according to its policy, balances that are lower than a specified amount for each type of account do not bear interest. Also, time deposits earn interest at market rates.

Interest rates are determined by the Group considering the interest rates prevailing in the market in which each of the Group's subsidiaries operates.

b) The amounts of non-interest-bearing and interest-bearing deposits and obligations are presented below:

	As of June 30, 2020	As of December 31, 2019
	S/(000)	S/(000)
Non-interest-bearing -		
In Peru	38,240,122	25,641,446
In other countries	3,070,365	2,674,724
	41,310,487	28,316,170
Interest-bearing -		
In Peru	77,245,214	74,413,962
In other countries	10,394,234	8,594,062
	87,639,448	83,008,024
Total	128,949,935	111,324,194

c) The balance of time deposits classified by maturity is as follows:

	As of June 30, 2020	As of December 31, 2019
	S/(000)	S/(000)
Up to 3 months	11,597,341	14,674,773
From 3 months to 1 year	7,605,261	8,975,269
From 1 to 3 years	6,188,813	6,096,891
From 3 to 5 years	847,107	819,446
More than 5 years	2,718,653	2,287,197
Total	28,957,175	32,853,576

In Management's opinion the Group's deposits and obligations are diversified with no significant concentrations as of June 30, 2020 and December 31, 2019.

As of June 30, 2020 and December 31, 2019, of the total balance of deposits and obligations, approximately S/41,690.1 million and S/35,511.9 million, respectively, are secured by the Peruvian "Fondo de Seguro de Depósitos" (Deposit Insurance Fund). At said dates, maximum amount of coverage per depositor recognized by "Fondo de Seguro de Depósitos" totaled S/100,058 and S/100,661, respectively.

15 DUE TO BANKS AND CORRESPONDENTS

a) This item consists of the following:

	As of June 30, 2020 S/(000)	As of December 31, 2019 S/(000)
International funds and others (b)	5,222,137	5,654,014
Promotional credit lines (c)	3,083,965	2,938,981
Inter-bank funds	8,137	205,000
	8,314,239	8,797,995
Interest payable	59,770	43,737
Total	8,374,009	8,841,732

b) This item consists of the following:

	As of June 30, 2020 S/(000)	As of December 31, 2019 S/(000)
Sumitomo Mitsui Banking Corporation	880,962	984,258
Corporación Financiera de Desarrollo (COFIDE)	776,320	406,710
Bank of America, N.A.	689,153	994,200
Bank of New York Mellon	568,703	331,400
Citibank N.A.	530,700	662,800
Banco de la Nación	260,000	–
Toronto-Dominion Bank	265,350	–
Standard Chartered Bank	128,661	86,827
JP Morgan Chase Bank, N.A.	176,900	–
Wells Fargo Bank, N.A.	141,520	730,074
Scotiabank Perú S.A.A.	100,000	100,000
Bancoldex	85,472	–
Caixa Bank	70,760	–
Bankinter	70,760	–
Bancolombia S.A.	61,194	–
Caja Municipal de Ahorro y Crédito de Arequipa S.A.	60,000	140,000
Banco Internacional del Perú S.A.A. (Interbank)	60,000	50,000
Banco de Occidente	59,641	–
Banco ICBC	55,000	–
Banco BBVA Perú	51,500	85,000
International Finance Corporation (IFC)	4,136	91,558
Corporación Andina de Fomento - CAF	–	662,800
Others less than S/51.5 million	125,405	328,387
Total	5,222,137	5,654,014

As of June 30, 2020, the loans have maturities between July 2020 and March 2032 (between January 2020 and March 2032, as of December 31, 2019) and accrue interest in foreign currency at rates that fluctuate between 0.18 percent and 9.64 percent and accrue interest in soles at rates that fluctuate between 3.41 percent and 5.36 percent (between 0.50 percent and 9.65 percent and between 3.17 percent and 8.67 percent, respectively as of December 31, 2019).

c) Promotional credit lines represent loans granted by Corporación Financiera de Desarrollo and Fondo de Cooperación para el Desarrollo Social (COFIDE and FONCODES for their Spanish acronyms, respectively) to promote the development of Peru, they mature between July 2020 and July 2029 and bear annual interest in soles at rates that fluctuate between 4.20 percent and 7.60 percent and interest in foreign currency at 7.75 percent as of June 30, 2020 (between January 2020 and July 2029 and with annual interest in soles at rates that fluctuate between 4.20 percent and 7.60 percent and interest in foreign currency at 7.75 percent as of December 31, 2019). These credit lines are secured by a loan portfolio totaling S/3,084.0 million and S/2,939.0 million, as of June 30, 2020 and December 31, 2019, respectively.

d) The following table presents the maturities of due to banks and correspondents as of June 30, 2020 and December 31, 2019 based on the period remaining to maturity:

	As of June 30, 2020	**As of December 31, 2019**
	S/(000)	**S/(000)**
Up to 3 months	1,859,515	2,062,121
From 3 months to 1 year	2,728,516	3,693,328
From 1 to 3 years	1,117,922	559,511
From 3 to 5 years	644,231	614,265
More than 5 years	1,964,055	1,868,770
Total	8,314,239	8,797,995

e) As of June 30, 2020 and December 31, 2019, lines of credit granted by various local and foreign financial institutions, to be used for future operating activities total S/8,306.1 million and S/8,593.0 million, respectively.

f) Certain debts to banks and correspondents include standard covenants addressing observance of financial ratios, the use of the funds and other administrative matters; which, in Management's opinion, do not limit the Group's operations and have been complied with at the date of the consolidated financial statements.

16 TECHNICAL RESERVES FOR INSURANCE CLAIMS AND PREMIUMS

a) This item consists of the following:

	As of June 30, 2020		
	Technical reserves for claims	Technical reserves for premiums (*)	Total
	S/(000)	S/(000)	S/(000)
Life insurance	1,051,518	8,065,135	9,116,653
General insurance	642,377	589,156	1,231,533
Health insurance	97,976	184,728	282,704
Total	1,791,871	8,839,019	10,630,890

	As of December 31, 2019		
	Technical reserves for claims	Technical reserves for premiums (*)	Total
	S/(000)	S/(000)	S/(000)
Life insurance	908,362	7,548,684	8,457,046
General insurance	590,588	651,129	1,241,717
Health insurance	77,278	174,192	251,470
Total	1,576,228	8,374,005	9,950,233

(*) As of June 30, 2020, the life insurance technical reserves include the mathematical reserves of income amounting to S/6,329.0 million (S/5,961.0 million as of December 31, 2019).

Insurance claims reserves represent reported claims and an estimate for incurred but non reported claims (IBNR). Reported claims are adjusted on the basis of technical reports received from independent adjusters.

Insurance claims to be paid by reinsurers and co-insurers represents ceded claims, which are presented in “Accounts receivable from reinsurers and coinsurers” of the interim condensed consolidated statement of financial position, See Note 9(b).

As of June 30, 2020, the reserves for direct claims include reserves for IBNR for life, general and health insurance for an amount of S/512.5 million, S/33.4 million and S/90.6 million, respectively (S/393.4 million, S/24.3 million and S/63.5 million, respectively, as of December 31, 2019).

As of June 30, 2020, and in previous years, the differences between the estimates for the incurred and non-reported claims and the settled and pending liquidation claims have not been significant. In the case of general risks and health, retrospective analysis indicates that the amounts accrued are adequate and Management believes that the estimated IBNR reserve is sufficient to cover any liability as of June 30, 2020 and December 31, 2019.

Technical reserves include reserves for obligations for future benefits under insurance of life and personal accidents in force; and the unearned premium reserves in respect of the portion of premiums written that is allocable to the unexpired portion of the related policy periods of related coverage.

17 BONDS AND NOTES ISSUED

a) This item consists of the following:

			As of June 30, 2020			As of December 31, 2019		
	Annual interest rate	**Interest payment**	**Maturity**	**Issued amount**	**Carrying amount**	**Maturity**	**Issued amount**	**Carrying amount**
	%			**(000)**	**S/(000)**		**(000)**	**S/(000)**
Senior notes - BCP (i)	From 2.70 to 5.38	Semi-annual	September 2020 / January 2025	US$1,074,628	3,709,636	September 2020 / January 2025	US$1,074,628	3,464,199
Senior notes - BCP (ii)	4.25	Semi-annual	April 2023	US$716,301	2,484,837	April 2023	US$716,301	2,318,975
Senior notes - BCP (iii)	From 4.65 to 4.85	Semi-annual	October 2020 / September 2024	S/2,900,000	2,845,367	October 2020 / September 2024	S/2,900,000	2,872,355
Senior notes - BCP (iv)	Libor 3M + 100 pb	Quarterly	March 2021	US$70,000	247,493	March 2021	US$70,000	231,738
Senior notes - BCP (v)	0.42	Semi-annual	August 2021	¥5,000,000	163,511	August 2021	¥5,000,000	151,888
Senior notes - BCP	Libor 3M + 0.55	Quarterly	March 2022	US$30,000	105,931	-	-	–
Senior notes - Credicorp Ltd. (vi)	2.75	Semi-annual	June 2025	US$500,000	1,716,244	-	-	–
MMT 100 - Secured notes- CCR Inc. (vii)								
2012 Series C Floating rate certificates	4.75	Monthly	July 2022	US$315,000	331,688	July 2022	US$315,000	385,253
Corporate bonds -								
Fourth program								
Tenth issuance (Series A, B and C) - BCP	From 5.31 to 7.25	Semi-annual	December 2021 / November 2022	S/550,000	528,109	December 2021/ November 2022	S/550,000	527,868
Fifth program								
First issuance (Series D) - BCP	5.91	Semi-annual	-	-	–	January 2020	S/182,410	182,061
Third issuance (Series A) - BCP	4.59	Semi-annual	July 2021	S/70,770	63,393	July 2021	S/70,770	63,430
Third issuance (Series B) - BCP	4.88	Semi-annual	October 2021	S/42,200	29,127	October 2021	S/42,200	29,183
Third issuance (Series C) - BCP	4.25	Semi-annual	July 2022	S/109,310	108,886	July 2022	S/109,310	108,821
Third issuance (Series D) - BCP	3.88	Semi-annual	August 2022	S/42,660	42,396	August 2022	S/42,660	42,337
					771,911			953,700

			As of June 30, 2020			As of December 31, 2019		
	Annual interest rate	Interest payment	Maturity	Issued amount	Carrying amount	Maturity	Issued amount	Carrying amount
	%			(000)	S/(000)		S/(000)	S/(000)
Subordinated bonds - BCP (viii)	6.13	Semi-annual	April 2027	US$720,000	2,542,784	April 2027	US$720,000	2,383,860
Subordinated bonds - BCP (ix)	6.88	Semi-annual	September 2026	US$476,120	1,659,057	September 2026	US$476,120	1,549,702
Subordinated bonds -								
First program								
First issuance (Series A) - BCP	6.22	Semi-annual	May 2027	S/15,000	15,000	May 2027	S/15,000	15,000
First issuance (Series A) - Pacífico Seguros	6.97	Quarterly	November 2026	US$60,000	212,280	November 2026	US$60,000	198,840
Second program								
First issuance (Series A) - Mibanco	8.50	Semi-annual	May 2026	S/100,000	100,000	May 2026	S/100,000	99,934
First issuance (Series B) - Mibanco	7.22	Semi-annual	June 2027	S/30,000	30,000	June 2027	S/30,000	30,000
Third program								
Issuance I - Banco de Crédito de Bolivia	6.25	Semi-annual	August 2028	Bs70,000	36,174	August 2028	Bs70,000	33,816
Issuance II - Banco de Crédito de Bolivia	5.25	Semi-annual	August 2022	Bs137,200	71,335	August 2022	Bs137,200	66,782
					464,789			444,372
Negotiable certificate of deposit - Mibanco	From 3.80 to 5.80	Annual	July 2020 / March 2025	S/1,305	1,305	January 2020 / January 2024	S/997	997
Subordinated negotiable certificates - BCP	Libor 3M + 279 bp	Quarterly	November 2021	US$2,960	10,472	November 2021	US$2,960	9,809
					17,055,025			14,766,848
Interest payable					195,506			179,515
Total					17,250,531			14,946,363

During the first trimester of 2018, in accordance with the risk exposure strategy of the interest rate, the Group discontinued the fair value hedge of certain bonds, issued in U.S. Dollars at a fixed rate, through the liquidation of the IRS. The accumulated profit of the fair value of these bonds at the time of the liquidation of the derivatives amounted to US$22.0 million (equivalent to S/71.7 million), recorded in the liability, which has been transferred to the consolidated statement of income up to the date of maturity of said bonds. As of June 30, 2020, the liability amounts to US$6.2 million, equivalent to S/22.0 million, (US$8.7 million, equivalent to S/28.8 million, as of December 31, 2019). The amount recorded in the interim condensed consolidated statement of income ended June 30, 2020 amounts to US$2.5 million, equivalent to S/8.7 million (US$3.3 million, equivalent to S/10.8 million, during the period ended June 30, 2019).

(i) In September 2019, the Bank announced a repurchase offer and propose an exchange to the holders of senior notes of the US$800.0 million issued in September of 2010, managing to repurchase US$220.3 million and exchanging US$ 205.0 million with new senior notes, at market rates, whose terms and conditions were very similar to the previous issue. At the end of said offer, the Bank keeps a notional value payable amounting to US$374.6 million, which can be redeemed by the Bank in whole or in part, in any date, having as a penalty an interest rate equal to the Treasury of the United States of America’s rate plus 40 basis points.

    In the same way, in September 2019, the Bank issued senior notes of approximately US$700 million (that amount includes the US$205.0 million of the exchange mentioned in the paragraph before). The Bank can redeem all or part of the notes at any date, between October 11, 2021 and December 10, 2024, at a redemption price equal to or greater than: (i) 100 percent of the aggregate principal amount of the notes to be redeemed; and (ii) the sum of the present value of each remaining scheduled payment discounted at interest rate equal to the Treasury of the United States of America’s rate plus 20 basis points. From December 11, 2024 onwards, the Bank can redeem the total or part of the notes to a redemption price equal to 100 percent of the aggregate principal amount of the notes to be redeemed.

    The payment of principal will take place on the due date or when the Bank redeems the notes.

(ii) The Bank can redeem the total or part of the notes in any time, having as a penalty an interest rate equal to the Treasury of the United States of America’s rate plus 50 basis point. The payment of principal will take place on the due date of the notes or when the Bank redeems these notes.

(iii) In September 2019, the Bank announced a repurchase offer and propose an exchange to the holders of senior notes of the S/2,000 million issued in October of 2017, managing to repurchase S/291.2 million and exchanging S/1,308.8 million with new senior notes, at market rates, whose terms and conditions are very similar to the previous issue. At the end of said offer, the Bank keeps a notional value payable amounting to S/400.0 million, which can be redeemed by the Bank in whole or in part, as of October 15, 2020 without penalties.

    At the same date, the Bank issued senior notes for approximately S/2,500.0 million (this amount includes the S/1,308.8 million of the exchange mentioned in the paragraph before). The Bank can redeem the whole or part of the senior notes between October 17, 2021 and August 16, 2024, at a redemption price equal to or greater than: (i) 100 percent of the aggregate principal amount of the notes, and (ii) the sum of the present value of cash flows discounted at interest rate equivalent to sovereign bonds issued by the government of Perú or other comparable titles plus 25 basis points. As of August 17, 2024, the Bank may redeem all or part of the senior notes at a redemption price equal to 100 percent of the aggregate amount of the principal to be redeemed.

    The payment of principal will take place on the due date or when the Bank redeems the notes.

(iv) In February of 2019, the Bank issued Senior Notes for approximately US$70.0 million, equivalent to S/247.5 million as of June 30, 2020 (US$70.0 million equivalent to S/231.7 million as of December 31, 2019) at variable rate, whose maturity date is on March 5, 2021.

(v) In July of 2019, the Bank issued Senior Notes for approximately JPY5,000.0 million, equivalent to S/163.5 million as of June 30, 2020 (JPY5,000.0 million, equivalent to S/151.9 million as of December 31, 2019) at fixed interest rate, whose maturity date is on August 2, 2021.

(vi) In June of 2020, Credicorp Ltd. issued Senior Notes for approximately US$500.0 million, equivalent to S/1,716.4 million at fixed interest rate, whose maturity date is on June 17, 2025.

These Senior Notes can redeem the whole or part mainly of the following ways (i) at any time prior to May 17, 2025, make whole call, in whole or in part, at Treasury plus 40 basis points, and (ii) at any time on or after May 17, 2025, at par.

The payment of principal will take place on the due date or when Credicorp Ltd. redeems the notes.

(vii) This issue is guaranteed by the future collection of electronic payment orders sent to BCP (including foreign branches) through the Society Worldwide Interbank Financial Telecommunications, through which the correspondent bank uses the network to places orders of payment to beneficiary that is not a financial institution.

(viii) The Bank as of the year of 2022 will pay a three-month Libor plus 70.3 basis points. Between April 24, 2017 and April 24, 2022, the Bank can redeem the whole or part of the bonds having a penalty of an interest rate equal to the Treasury of United States of América’s rate plus 50 basis points. Also, as of April 25, 2022 or at any date after interest payment, the Bank can redeem all or part of the bonds without penalty. Payment of the principal will take place on the due date of the bonds or when the Bank redeems them.

(ix) The Bank as of September 16, 2021, will pay a three-month Libor plus 770.8 basis points. Between the dates of September 16, 2016 and September 15, 2021, the Bank can redeem the whole or part of the bonds, having a penalty of an interest rate equal to the Treasury of United States of America´s rate plus 50 basis point. Also, as of September 16, 2021 or at any time after at the payment of interests, the Bank can redeem the whole or part of the bonds without penalties. The payment of the principal amount will take place on due date or in the redemptions of them.

b) The table below shows the bonds and notes issued, classified by maturity, without accrued interests:

	As of June 30, 2020	**As of December 31, 2019**
	S/(000)	**S/(000)**
Up to 3 months	1,377,329	182,365
From 3 months to 1 year	726,166	1,739,358
From 1 to 3 years	3,696,228	1,438,732
From 3 to 5 years	6,660,008	4,863,708
More than 5 years	4,595,294	6,542,685
Total	17,055,025	14,766,848

18 EQUITY

a) Capital stock -

As of June 30, 2020 and December 31, 2019, a total of 94,382,317 shares have been issued at US$5 per share.

b) Treasury stock -

We present below the stocks of Credicorp Ltd., that the entities of the Group maintain as of June 30, 2020 and 2019:

	Number of shares		
As of June 30, 2020	**Shares of the Group**	**Shared-based payment (*)**	**Total**
Atlantic Security Holding Corporation	14,620,846	−	14,620,846
BCP	−	159,339	159,339
Pacífico Seguros	−	29,845	29,845
Grupo Crédito	62,678	32,512	95,190
Credicorp Capital Servicios Financieros	−	17,598	17,598
Other minors	−	54,575	54,575
	14,683,524	293,869	14,977,393

	Number of shares		
As of June 30, 2019	**Shares of the Group**	**Shared-based payment (*)**	**Total**
Atlantic Security Holding Corporation	14,620,846	−	14,620,846
BCP	−	134,169	134,169
Pacífico Seguros	−	29,539	29,539
Credicorp Perú	−	21,695	21,695
Credicorp Capital Servicios Financieros	−	13,830	13,830
Other minors	4,387	47,698	52,085
	14,625,233	246,931	14,872,164

(*) Corresponds to treasury stock that were granted to employees and senior management, for which they have the right to vote; also, these stocks are not vested at said dates. See more detail in Note 20.

During the six-month period ended June 30, 2020 and 2019, the Group purchased 240,151 and 129,807 shares of Credicorp Ltd., respectively, for a total of US$44.4 million (equivalent to S/151.9 million) and US$31.0 million (equivalent to S/103.2 million), respectively.

c) Reserves -

Certain Group’s subsidiaries are required to keep a reserve that equals a percentage of paid-in capital (20, 30 or 50 percent, depending on its activities and the country in which production takes place); this reserve must be constituted with annual transfers of not less than 10 percent of net profits. As of June 30, 2020 and December 31, 2019, the balance of this reserves amounts approximately to S/7,017.0 million, S/6,236.5 million, respectively.

At the Board meetings held on February 27, 2020 and February 27, 2019, the decision was made to transfer from “Retained earnings” to “Reserves” S/1,977.1 million and S/1,858.8 million, respectively.

d) Dividend distribution –

The chart below shows the distribution of dividends agreed by the Board of Directors:

	As of June 30, 2020	**As of December 31, 2019**
Date of Meeting - Board of Directors	27.02.2020	27.02.2019
Dividends distribution, net of treasury shares effect (in thousands of soles)	2,392,844	1,595,229
Payment of dividends per share (in soles)	30.0000	20.0000
Date of dividends payout	08.05.2020	10.05.2019
Exchange rate published by the SBS	3.4081	3.3150
Dividends payout (equivalent in thousands of US$)	702,105	481,215

In the Board of Directors held in September 25, 2019, they agreed an additional dividend payment, net of the effect of treasury stock, for approximately S/638.4 million from the retain earnings and reserves. Said dividends have been paid in November 22, 2019.

In accordance with current Peruvian legislation, there is no restriction for overseas remittance of dividends or the repatriation of foreign investment. As of June 30, 2020, and December 31, 2019, dividends paid by the Peruvian subsidiaries to Credicorp are subject to a 5.0 percent withholding tax.

e) Regulatory capital -

As of June 30, 2020 and December 31, 2019, the regulatory capital requirement (“patrimonio efectivo” in Peru) applicable to Credicorp subsidiaries engaged in financial services and insurance activities in Peru, determined under the provisions of the Peruvian banking and insurance regulator, SBS, totals approximately S/28,032.4 million and S/25,732 million, respectively. At those dates, the Group’s regulatory requirement exceeds by approximately S/7,782.8 million and S/4,151.6 million, respectively, the minimum regulatory capital required by the SBS.

19 TAX SITUATION

a) Credicorp is not subject to income tax or any taxes on capital gains, equity or property in Bermuda. Credicorp’s Peruvian Subsidiaries are subject to the Peruvian tax regime.

The income tax rate in Peru as of June 30, 2020 and December 31, 2019 was 29.5 percent of the taxable income after calculating the worker's participation, which is determined using a rate of 5.0 percent.

The income tax rate in Bolivia is 25.0 percent as of June 30, 2020 and December 31, 2019. Financial entities have an additional rate if the ROE exceeds 6.0 percent; in that case, they must consider an additional 25.0 percent, with which the rate would be 50.0 percent.

In the case of Chile, there are two tax regimes: partially integrated regime and attributed regime. Credicorp Capital Holding Chile and all their Subsidiaries are under partially integrated regime, whose tax rate for domiciled legal entities under this regime is 27.0 percent as of June 30, 2020 and December 31, 2019.

On the other hand, individuals or legal entities not domiciled in Chile will be subject to a tax called "Additional income tax" whose rates are between 4.0 percent and 35.0 percent, depending on the nature of the income. Additionally, Chile has signed treaties to avoid double taxation with different countries so certain income could be released from withholding tax or for the use of reduced rates.

In the case of Colombia, the income tax rate as of December 31, 2019, under the law called "Financing Law" N° 1943 dated December 28, 2018, the income tax rate of 33.0 percent was established for all entities without surcharge. As of June 30, 2020, under the law N° 2010 issued in December 27, 2019, the tax rates are as follows:

Taxable year	Rate	Additional rate (surcharge) (*)
2020	32	4
2021	31	3
2022	30	3
As of 2023	30	–

(*) The additional rate (surcharge) will be applicable only to financial entities, that in the corresponding year,with a taxable rate equal or greater than 120,000 Unit of tax value ("UVT" from its Spanish acronym) which as of June 30, 2020 amounts to a total of S/3.9 million; in that sense, Credicorp Capital Colombia, Credicorp Capital Fiduciaria and Banco Compartir must pay the income tax taking into account the aforementioned.

Atlantic Security Holding Corporation and its Subsidiaries are not subject to taxes in the Cayman Islands or Panama. As of June 30, 2020, and December 31, 2019, no taxable income was generated from the operations in the United States of America.

b) Income tax expense for the six-month periods ended June 30, 2020 and 2019 comprises:

	For the six-month periods ended June 30,	
	2020 S/(000)	**2019 S/(000)**
Current -		
In Peru	595,990	712,951
In other countries	75,661	92,931
	671,651	805,882
Deferred -		
In Peru	(895,257)	38,455
In other countries	(45,370)	(7,706)
	(940,627)	30,749
Total	(268,976)	836,631

The deferred income tax has been calculated on all temporary differences, considering the income tax rates effective where Credicorp's Subsidiaries are located.

The variation in the deferred income tax is mainly due to the increase in approximately S/405.2 million as of June 30, 2020 (S/6.6 million as of June 30, 2019) because of the recognition of the expected loss recorded in accordance with IFRS 9. Also, the increased of the deferred income tax was related to the recognition of the impact by freezing credits due to COVID-19 in amount of S/45.9 million as of June 30, 2020.

c) The Peruvian Tax Authority has the right to review and, if necessary, amend the annual income tax returns filed by Peruvian subsidiaries up to four years after their filing date. Income tax returns of the major Subsidiaries open for examination by the tax authorities are as follows:

Banco de Crédito del Perú S.A.	2016 to 2019
Mibanco, Banco de la Microempresa S.A.	2015 to 2019
Prima AFP S.A.	2016 to 2019
Pacífico Compañía de Seguros y Reaseguros	2015, 2017 to 2019
Pacífico Peruano Suiza	2015 to 2017

On September 11, 2019 and December 12, 2019, the Peruvian Tax Authority started the examination of income tax returns of Banco de Crédito del Perú for the year 2014 and 2015, respectively, of Banco de Crédito del Perú, a tax control process that is still in process. Likewise, on December 10, 2019 the Tax Administration notified a Resolution finalizing the process of inspection of the Income Tax declaration of 2013 fiscal year in which a lower tax payment was determined.

It is important to mentioned that the Peruvian Tax Authority is auditing the Income Tax declaration of 2014 of Mibanco and the Income Tax declaration of 2016 of Pacífico Compañía de Seguros y Reaseguros.

The Bolivian, Chilean and Colombian Tax Authorities have the power to review and, if applicable, make a new determination for the income tax calculated by the Subsidiaries located in said countries in the previous 8 years, 3 years and 3 years, respectively, upon presentation of their Income Tax declarations. Additionally, in the case of Colombia, a period of 6 years was established for the taxpayers obliged to apply Transfer Prices or taxpayers who report tax losses. The annual income tax declarations pending examination by the overseas tax authorities are the following:

Banco de Crédito de Bolivia	2011, 2012, 2014 to 2019
Credicorp Capital Colombia	2016 to 2019
Credicorp Capital Holding Chile	2017 to 2019

Since tax regulations are subject to interpretation by the different Tax Authorities where Credicorp's Subsidiaries are located, it is not possible to determine at the present date whether any significant additional liabilities may arise from any eventual tax examinations of the Credicorp's Subsidiaries. Any resulting unpaid taxes, tax penalties or interest that may arise will be recognized as expenses in the year in which they are determined.

However, Management of Credicorp and its Subsidiaries and their legal counsel consider that any additional tax assessments would not have a significant impact on the interim condensed consolidated financial statements as of June 30, 2020 and December 31, 2019.

20 SHARE-BASED COMPENSATION PLANS

On March of each year, the Group grants its own shares to certain key employees. The awarded shares are liberated in the three following years for up to 33.3 percent of the shares granted in each of the three previous years. The Group assumes the payment of the related income tax on behalf of its employees, which depend on the country of residence and the annual compensation of the employee.

As of June 30, 2020 and December 31, 2019, the Group has granted 176,193 and 116,594 Credicorp shares, of which 293,869 and 246,931 shares not vested as of June 30, 2020 and December 31, 2019, respectively. During the six-month periods ended June 30, 2020 and 2019, the recorded expense amounted to approximately S/45.6 million and S/59.4 million, respectively, see Note 27.

21 OFF-BALANCE SHEET ACCOUNTS

a) This item consists of the following:

	As of June 30, 2020 S/(000)	As of December 31, 2019 S/(000)
Contingent credits - indirect loans (b)		
Guarantees and standby letters	17,596,150	18,894,456
Import and export letters of credit	1,675,002	2,186,579
Sub-total, Note 7(b)	19,271,152	21,081,035
Responsibilities under credit line agreements (c)	80,652,527	75,615,563
Total	99,923,679	96,696,598

Reference values of operations with derivatives are recorded in off-balance sheet accounts in the committed currency, as shown in Note 13(b).

b) In the normal course of their business, the Group's banking Subsidiaries are party to transactions with off-balance sheet risk. These transactions expose them to credit risk in addition to the amounts recognized in the interim condensed consolidated statement of financial position.

Credit risk for contingent credits is defined as the possibility of sustaining a loss because one of the parties to a financial instrument fails to comply with the terms of the contract. The risk of credit losses is represented by the contractual amounts specified in the related contracts. The Group applies the same credit policies in making contingent commitments and other obligations as it does for on-balance sheet instruments (Note 7(a)), including the requirement to obtain collateral when it is deemed necessary.

Collateral held varies, but may include deposits in financial institutions, securities or other assets. Many of the contingent transactions reach maturity without any performance being required; therefore, the total committed amounts do not necessarily represent future cash requirements.

c) Lines of credit include consumer loans and other consumer loan facilities (credit card receivables) granted to customers and are cancelable upon related notice to the customer.

22 INTEREST, SIMILAR INCOME AND SIMILAR EXPENSES

This item consists of the following:

	For the six-month periods ended Jun 30,	
	2020	**2019**
	S/(000)	**S/(000)**
Interest and similar income		
Interest on loans	5,123,636	5,194,935
Interest on investments at fair value through other comprehensive income	536,683	547,248
Interest on investments at amortized cost	109,972	100,206
Interest on due from banks	58,376	172,176
Interest on investments at fair value through profit or loss	26,697	27,264
Dividends received	12,746	18,581
Other interest and similar income	22,868	24,887
Total	5,890,978	6,085,297
Interest and similar expense		
Interest on deposits and obligations	(684,276)	(718,831)
Interest on bonds and notes issued	(397,462)	(454,367)
Interest on due to banks and correspondents	(294,945)	(298,135)
Deposit Insurance Fund	(84,100)	(74,309)
Interest on lease liabilities	(17,344)	(16,129)
Other interest and similar expense	(72,423)	(73,955)
Total	(1,550,550)	(1,635,726)

23 COMMISSIONS AND FEES

	For the six-month periods ended June 30,	
	2020	**2019**
	S/(000)	**S/(000)**
Maintenance of accounts, transfers and credit and debit card services	472,248	637,843
Funds and equity management	316,272	335,894
Contingent loans and foreign trade fees	171,851	178,736
Commissions for banking services	117,971	136,090
Brokerage, securities and custody services	20,101	41,870
Penalty commissions	24,946	40,083
Collection services	43,661	65,013
Others	96,767	134,643
Total	1,263,817	1,570,172

The main variations in the commissions and fees corresponding to the six-month period ended June 30, 2020 compared to the six-month period ended June 30, 2019 are mainly due to lower numbers of banking operations as a product of less dynamism of the economy as a consequence of the COVID-19, see Note 2(b).

24 NET GAIN ON SECURITIES

This item consists of the following:

	For the six-month periods ended Jun 30,	
	2020 S/(000)	2019 S/(000)
Net gain on investments at fair value through other comprehensive income	154,338	107,867
Net gain in associates (*)	34,131	35,264
Net gain on financial assets at fair value through profit or loss (i)	43,597	108,219
Provision of credit loss for investments at fair value through other comprehensive income (ii), Note 6(b)	(37,681)	(2,199)
Others	(324)	645
Total	194,061	249,796

(*) It mainly includes the gain of its associated "Entidad Prestadora de Salud" for approximately S/34.0 million during the six-month period ended June 30, 2020 (S/21.7 million during the six-month period ended June 30, 2019).

(i) The variation is due to the result mainly from the following subsidiaries occurred during the six-month period ended June 30, 2020:

- Banco de Crédito del Perú had net losses for approximately S/50.7 million mainly from realized losses on the sale of financial investment mainly from the Peruvian Treasury bonds (S/22.8 million) and Colombian Treasury bonds (S/15.8 million) (during the six-month period ended June 30, 2019, net profit for S/4.3 million).

- Atlantic Security Private Equity General Partner had net losses for approximately S/29.1 million correspond to unrealized losses (during the six-month period ended June 30, 2019, unrealized profit for S/10.8 million).

- Prima AFP had net losses for approximately S/21.2 million correspond to unrealized losses due to the drop of the restricted mutual funds (during the six-month period ended June 30, 2019, unrealized profit for S/32.0 million).

- Atlantic Security Bank (ASB) had net profit for approximately S/113.4 million correspond mainly to unrealized profit from the Royalty Pharma plc's shares exchanged (see Note 6(a)(vi)) (during the six-month period ended June 30, 2020, net profit for S/27.9 million).

(ii) The variation corresponds mainly to the greater provision recorded by the following subsidiaries occurred during the six-month period ended June 30, 2020: (i) S/18.5 million recorded by Pacífico Seguros, (ii) S/10.4 million recorded by Atlantic Security Bank (ASB), and (iii) S/3.8 million recorded by Banco de Crédito del Perú. The largest provision compared to the period 2019 is mainly due to COVID-19. See more details of the impact of COVID-19 in Note 2(b).

25 NET PREMIUMS EARNED

a) This item consists of the following:

For the six-month periods ended June 30,	Gross written premiums	Technical reserve adjustment	Total gross written premiums (*)	Premiums ceded to reinsurers and co-insurers, net (**)	Results of financial assets designated at fair value through profit and loss, Note 8	Total Net premiums earned
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
2020						
Life insurance	955,486	(275,237)	680,249	(55,756)	(6,976)	617,517
Health insurance	292,542	(17,036)	275,506	(6,381)	–	269,125
General insurance	452,685	68,354	521,039	(227,685)	–	293,354
Total	1,700,713	(223,919)	1,476,794	(289,822)	(6,976)	1,179,996
2019						
Life insurance	991,051	(398,344)	592,707	(60,547)	60,957	593,117
Health insurance	291,810	(21,087)	270,723	(6,248)	–	264,475
General insurance	538,726	(14,940)	523,786	(212,590)	–	311,196
Total	1,821,587	(434,371)	1,387,216	(279,385)	60,957	1,168,788

(*) This item includes earned premiums, reinsurance premiums accepted, and coinsurance premiums accepted and received.

(**) "Premiums ceded to reinsurers and coinsurers, net" include:

	For the six-month periods ended June 30,	
	2020	2019
	S/(000)	S/(000)
Premiums ceded for automatic contracts (mainly excess of loss), Note 9(b)	(134,905)	(140,656)
Premiums ceded for facultative contracts, Note 9(b)	(126,687)	(141,959)
Variation of reserve risk in progress of premiums ceded, Note 9(b)	(28,230)	3,230
	(289,822)	(279,385)

b) Gross written premiums by insurance type are described below:

	For the six-month periods ended June 30,			
	2020		2019	
	S/(000)	%	S/(000)	%
Life insurance (i)	680,249	46.06	592,707	42.73
Health insurance (ii)	275,506	18.66	270,723	19.52
General insurance (iii)	521,039	35.28	523,786	37.75
Total	1,476,794	100.00	1,387,216	100.00

(i) The breakdown of life insurance gross written premiums is as follows:

	For the six-month periods ended June 30,			
	2020		2019	
	S/(000)	%	S/(000)	%
Credit life	279,404	41.07	196,471	33.15
Disability and survival (*)	224,393	32.99	238,287	40.20
Individual life (**)	85,266	12.53	77,170	13.02
Group life	61,486	9.04	57,073	9.63
Annuities	29,700	4.37	23,706	4.00
Total	680,249	100.00	592,707	100.00

(*) This item includes Complementary Work Risk Insurance ("SCTR" from its Spanish acronym).

(**) Individual life insurance premiums include Investment Link insurance contracts.

(ii) Health insurance gross written premiums after adjustments include medical assistance which amounts to S/236.8 million and S/228.7 million during the six-month periods ended June 30, 2020 and 2019, respectively; and represents 85.95 percent and 84.48 percent of this line of business at said periods, respectively.

(iii) General insurance gross written premiums consist of the following:

	For the six-month periods ended June 30,			
	2020		2019	
	S/(000)	%	S/(000)	%
Automobile	171,467	32.91	176,425	33.68
Fire and allied lines	131,609	25.26	142,524	27.21
Theft and robbery	43,366	8.32	49,458	9.44
Technical lines (*)	30,215	5.80	34,291	6.55
Third party liability	27,532	5.28	27,813	5.31
Transport	19,541	3.75	20,312	3.88
SOAT (Mandatory automobile line)	17,675	3.39	20,490	3.90
Marine Hull	11,374	2.18	13,692	2.61
Aviation	29,187	5.60	13,559	2.58
Others	39,073	7.51	25,222	4.84
Total	521,039	100.00	523,786	100.00

(*) Technical lines include Contractor's All Risk (CAR), Machinery breakdown, All Risk (EAR), Electronic equipment (EE), All Risk Contractor's Equipment (ARCE).

26 NET CLAIMS INCURRED FOR LIFE, GENERAL AND HEALTH INSURANCE CONTRACTS

This item consists of the following:

	For the six-month periods ended June 30, 2020			
	Life insurance	General insurance	Health insurance	Total
	S/(000)	S/(000)	S/(000)	S/(000)
Gross claims	514,841	166,672	132,811	814,324
Ceded claims, Note 9(b)	(33,828)	(72,587)	(5,624)	(112,039)
Net insurance claims	481,013	94,085	127,187	702,285

	For the six-month periods ended June 30, 2019			
	Life insurance	General insurance	Health insurance	Total
	S/(000)	S/(000)	S/(000)	S/(000)
Gross claims	489,221	323,045	163,410	975,676
Ceded claims	(49,342)	(162,928)	(4,901)	(217,171)
Net insurance claims	439,879	160,117	158,509	758,505

27 SALARIES AND EMPLOYEES BENEFITS

This item consists of the following:

	For the six-month periods ended June 30,	
	2020	2019
	S/(000)	S/(000)
Salaries	1,005,055	896,565
Vacations, medical assistance and others	153,292	168,955
Bonuses	140,359	132,808
Workers' profit sharing	108,698	123,769
Social security	111,936	104,127
Additional participation	75,813	120,557
Severance indemnities	76,407	73,926
Share-based payment plans	45,620	59,445
Total	1,717,180	1,680,152

28 ADMINISTRATIVE EXPENSES

This item consists of the following:

	For the six-month periods ended June 30,	
	2020 S/(000)	2019 S/(000)
Repair and maintenance	174,120	170,310
Publicity	128,761	162,498
Taxes and contributions	131,361	130,891
Leases of low value and short-term	31,319	30,580
Consulting and professional fees	85,897	84,615
Transport and communications	65,622	84,732
Sundry supplies	33,200	36,167
Security and protection	30,563	34,202
Electricity and water	23,754	26,039
Subscriptions and quotes	22,971	19,351
Services by third-party and others (*)	320,154	311,425
Total	1,047,722	1,090,810

(*) The balances consist mainly of server technical support of IBM, cleaning service, representation expenses, insurance policy expenses and commission expenses.

29 OTHER INCOME AND EXPENSES

This item consists of the following:

	For the six-month periods ended June 30,	
	2020 S/(000)	2019 S/(000)
Other income		
Revenue from sale of loan portfolio	26,078	36,514
Rental income	11,861	27,948
Net income from the sale of property, furniture and equipment	10,002	34,915
Net income from non-current assets held for sale	–	8,170
Net gain from sale of adjudicated assets	1,773	–
Others (i)	103,251	83,083
Total other income	152,965	190,630

	For the six-month periods ended June 30,	
	2020	**2019**
	S/(000)	**S/(000)**
Other expenses		
Donations (ii)	120,017	5,143
COVID-19 operating expenses (iii)	52,971	–
Losses due to operational risk	18,265	14,821
Expenses on improvements in building for rent	13,374	14,186
Provision for sundry risks	8,058	10,513
Association in participation (iv)	24,374	7,482
Provision for other accounts receivable	8,454	3,735
Net loss from sale adjudicated assets	–	3,065
Others	52,945	32,856
Total other expenses	298,458	91,801

(i) During the six-month periods ended June 30, 2020 and 2019, the balance mainly comprises liquidation for sale of Credicorp shares, penalty for breach of contract, commissions for recovery in civil and judicial lawsuits of Personal Credits and Credit Card products; also, collection of commission for relocation, vehicle taxes, municipal property taxes, fines and penalties to clients related to the Leasing product.

(ii) During the six-month periods ended June 30, 2020, the Group has made donations mainly through their subsidiaries BCP and MiBanco. A donation amounted of S/100.0 million was the fundraising campaign named “#YoMeSumo” of BCP; S/10.0 million a donation of MiBanco, in both cases, in order to raise funds for the poorest families affected by COVID-19. Also, Pacifico has made a donation an amount of S/5.0 million in order to give an insurance life for families of doctors, nurses, all the technical and healthcare personnel of Ministry of Health (MINSA from spanish acronym) and Regional Public Hospitals, members of the Armed Forces and assistance personnel.

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

(iv) The balance corresponds entirely to the results attributed by the joint venture agreement between Asistencia Médica (AMED), through its subsidiary domiciled in Perú, Empremédica S.A., and Pacífico Seguros.

30 EARNING PER SHARE

The net earnings per ordinary share were determined based on the net (loss) income attributable to equity holders of the Group as follows:

	For the six-month periods ended June 30,	
	2020	2019
Net loss (income) attributable to equity holders of Credicorp (in thousands of Soles)	(411,116)	2,199,440
Number of stock		
Ordinary stock, Note 18(a)	94,382,317	94,382,317
Less – opening balance of treasury stock	(14,872,164)	(14,883,274)
Acquisition of treasury stock, net	(98,995)	(28,633)
Weighted average number of ordinary shares for basic earnings	79,411,158	79,470,410
Plus - dilution effect - stock awards	145,977	139,657
Weighted average number of ordinary shares adjusted for the effect of dilution	79,557,135	79,610,067
Basic (losses) earnings per share (in Soles)	(5.18)	27.68
Diluted (losses) earnings per share (in Soles)	(5.17)	27.63

31 OPERATING SEGMENTS

In the Credicorp Board of Directors organized the Group’s subsidiaries according to the types of financial services provided and the sectors on which they are focused; with the objective of optimizing the management thereof. Next, we present the Group´s business lines:

a) Universal Banking -

Includes the operations related to the granting of various credits and financial instruments to individuals and legal entities, from the segments of wholesale and retail banking, such as the obtaining of funds from the public through deposits and current accounts, obtaining of funding by means of initial public offerings and direct indebtedness with other financial institutions. This business line incorporates the results and balances of the Banco de Crédito del Perú (BCP) and Banco de Crédito de Bolivia (BCB).

b) Insurance and Pensions –

- Insurance: includes, mainly, the issue of insurance policies to cover losses in commercial property, transport, marine vessels, automobiles, life, health and pensions, operations carried out through Pacífico Compañía de Seguros y Reaseguros.

- Pensions: provides Management Service of private pension funds to the affiliates, operation carried out from Prima AFP.

c) Microfinance –

Includes the management of loans, credits, deposits and current accounts of the small and microenterprises: carried out through Mibanco, Banco de la Microempresa S.A., Banco Compartir S.A. and Edyficar S.A.S. (Encumbra).

d) Investment Banking and Wealth Management –

Brokerage service and investment management services offered to a broad and diverse clientele, which includes corporations, institutional investors, governments and foundations; also, the structuring and placement of issues in the primary market, as well as the execution and negotiation of transactions in the secondary market. Additionally, it structures securitization processes for corporate customers and manages mutual funds.

All these services are provided through Credicorp Capital Ltd. and subsidiaries; Atlantic Security Bank (ASB) and the Wealth Management team of BCP.

Management of these business lines is designed to:

- Promote the joint action of our businesses in order to take advantage of the synergies which resulting from the diversification of our portfolio.

- Strengthening our leadership in the financial sector through our growth in new businesses, and the establishment of an investment banking platform available not only to the corporate world, but also to the retail segment, especially to the Small and Medium Enterprise (SME) and Consumer sectors.

- Improve the ongoing search to bring to adapt our business models, processes and procedures into line with best practices worldwide.

The operating results of the Group’s new business lines are monitored separately by the Board of Directors and Senior Management on a monthly basis, in order to make decisions regarding the allocation of resources and the evaluation of the performance of each one of the segments. The Chief Operating Decision Maker (CODM) of Credicorp is the Chief Executive Officer (CEO). The performance of the segments is evaluated based on the operating profits or losses and is measured consistently with the operating profits and losses presented in the interim condensed consolidated statement of income.

Financial information by segment is prepared subject to the minimum controls necessary and on a uniform basis, with coherent grouping according to the type of activity and customer. The transfer prices used for determining income and expenses generated among the operating segments are similar to the prices that would be applicable to transactions carried out at arm’s length.

None of the income derives from transactions carried out with a single customer or counterparty which is equal to or greater than 10 percent or more of the total income of the Group for the first six-month period ended June 30, 2020 and the first six-month period ended June 30, 2019.

(i) The following table presents information recorded in the results and for certain items of the assets corresponding to the Group's reportable segments (in millions of soles):

	For the six-month period ended June 30, 2020								As of June 30, 2020	
	Income (*)									
Operating segments	**External**	**From other segments (**)**	**Net interest, similar income and expenses**	**Other income, net (***)**	**Provision for credit losses on loan portfolio**	**Depreciation and amortization**	**Income tax**	**Net profit**	**Total assets**	**Total liabilities**
Universal Banking										
Banco de Crédito del Perú	5,313	217	3,038	1,382	(3,169)	(214)	223	(396)	169,300	154,170
Banco de Crédito de Bolivia	380	4	170	51	(139)	(11)	2	(33)	11,538	10,840
Insurance and Pension funds										
Pacífico Seguros y subsidiarias	1,539	31	262	895	−	(29)	(3)	201	14,504	11,672
Prima AFP	156	1	(6)	155	−	(11)	(21)	47	952	353
Microfinance										
Mibanco	996	16	750	43	(598)	(45)	103	(244)	13,408	11,560
Banco Compartir S.A.	100	16	69	11	(34)	(6)	9	(21)	878	787
Edyficar S.A.S.	25	−	22	(181)	(7)	(1)	(1)	−	144	87
Investment Banking and Wealth Management	532	6	32	441	−	(17)	(9)	138	13,312	11,578
Other segments	3	8	443	(7)	−	(9)	(34)	(120)	3,538	2,511
Eliminations	−	−	(440)	(539)	1	−	−	−	(6,061)	(5,921)
Total consolidated	9,044	299	4,340	2,251	(3,946)	(343)	269	(428)	221,513	197,637

	For the six-month period ended June 30, 2019								As of December 31, 2019	
	Income (*)									
Operating segments	**External**	**From other segments (**)**	**Net interest, similar income and expenses**	**Other income, net (***)**	**Provision for credit losses on loan portfolio**	**Depreciation and amortization**	**Income tax**	**Net profit**	**Total assets**	**Total liabilities**
Universal Banking										
Banco de Crédito del Perú	5,743	205	3,024	1,714	(704)	(210)	(611)	1,645	139,832	123,057
Banco de Crédito de Bolivia	356	2	159	59	(29)	(6)	(17)	39	10,481	9,744
Insurance and Pension funds										
Pacífico Seguros y subsidiarias	1,560	(11)	249	684	−	(29)	(3)	176	13,785	10,964
Prima AFP	238	2	1	238	−	(9)	(46)	107	909	211
Microfinance										
Mibanco	1,202	60	942	89	(228)	(24)	(79)	201	13,576	11,489
Banco Compartir S.A.	−	−	−	−	−	−	−	−	1,046	888
Edyficar S.A.S.	25	−	21	(161)	(2)	(1)	(2)	3	141	80
Investment Banking and Wealth Management	487	5	47	361	−	(10)	(8)	127	9,423	7,950
Other segments	31	61	316	51	−	(1)	(73)	(54)	2,998	992
Eliminations	−	−	(309)	(420)	−	−	−	−	(4,314)	(4,245)
Total consolidated	9,642	324	4,450	2,615	(963)	(290)	(839)	2,244	187,877	161,130

(*) Corresponds to total interest and similar income, other income (includes income and expenses on commissions) and net earned premiums from insurance activities.
(**) Corresponds to income derived from transactions with other segments, which were eliminated in the interim condensed consolidated statement of income.
(***) Corresponds to other income (include income and expenses for commissions) and insurance underwriting result.

(ii) The following table presents (in millions of soles) the distribution of the total revenue, operating revenue and non-current assets of the Group; all assigned based on the location of the clients and assets, respectively:

	For the six-month period ended June 30, 2020		As of June 30, 2020		For the six-month period ended June 30, 2019		As of December 31, 2019	
	Total income (*)	**Operating income (**)**	**Total non current assets (***)**	**Total liabilities**	**Total income (*)**	**Operating income (**)**	**Total non current assets (***)**	**Total liabilities**
Peru	8,059	4,304	3,737	172,511	8,817	4,420	3,943	142,178
Bermuda	22	(2)	134	1,901	4	10	117	266
Cayman Islands	184	52	20	9,376	189	65	20	5,008
Bolivia	419	189	98	10,877	393	177	93	9,815
Colombia	288	76	472	2,227	159	7	435	2,769
United States of America	17	–	3	6	2	–	3	6
Chile	55	(1)	133	739	78	(2)	209	1,088
Total consolidated	9,044	4,618	4,597	197,637	9,642	4,677	4,820	161,130

(*) Including total interest and similar income, other income and net premiums earned from insurance activities.
(**) Operating income includes the income from interest and similar expenses from banking activities and insurance underwriting result.
(***) Non-current assets consist of property, furniture and equipment (fixed assets), intangible assets and goodwill and right-for-use assets, net.

32 TRANSACTIONS WITH RELATED PARTIES

a) The Group's interim condensed consolidated financial statements as of June 30, 2020 and December 31, 2019 include transactions with related companies, the Board of Directors, the Group's key executives (defined as the Management of Credicorp) and the companies which are controlled by these individuals through their majority shareholding or their role as Chairman or CEO.

b) The following table presents the main transactions with related parties:

	As of June 30, 2020	**As of December 31, 2019**
	S/(000)	**S/(000)**
Statement of financial position -		
Direct loans	2,282,970	1,657,206
Investments	986,675	935,286
Deposits (*)	(1,366,129)	(751,990)
Derivatives at fair value	1,888	4,984
Off-balance sheet		
Indirect loans	503,497	373,865

(*) Corresponds only to deposits of legal persons.

	For the six-month periods ended June 30,	
	2020	**2019**
	S/(000)	**S/(000)**
Statement of income		
Interest income related to loans	22,030	14,444
Interest expenses related to deposits	(6,892)	(5,850)
Other income	4,172	4,907

The increase of the direct loans and accrued interest on loans is mainly due to loan awarded made between May and June 2020 of the Reactiva Peru program. Likewise, the increase in deposits and interest expenses increased in the same proportion as a result of the entities maintaining the loans received as demand deposits. See details of the Reactiva Peru progam in Note 2(b).

c) All transactions with related parties are made in accordance with normal market conditions available to other customers. As of June 30, 2020, direct loans to related companies are secured by collateral, had maturities between July 2020 and December 2029, at an annual soles average interest rate of 5.51 percent and at an annual foreign currency average interest rate of 4.56 percent (as of December 31, 2019, maturities where between January 2020 and December 2028, and the annual soles average interest rate was 6.21 percent and the annual foreign currency average interest rate was 5.70). Also, as of June 30, 2020 and December 31, 2019, the Group maintains an allowance for loan losses for related parties amounting to S/10.5 million and S/12.6 million, respectively.

d) As of June 30, 2020 and December 31, 2019, directors, officers and employees of the Group have been involved, directly and indirectly, in credit transactions with certain subsidiaries of the Group, as permitted by Peruvian Banking and Insurance Law Nº26702, which regulates and limits certain transactions with employees, directors and officers of a bank or an insurance company. As of June 30, 2020 and December 31, 2019, direct loans to employees, directors, key management and family members amounted to S/998.0 million and S/1,003.2 million, respectively; they are repaid monthly and earn interest at market rates.

e) The Group's key executives' compensation (including the related income taxes assumed by the Group) as of as of June 30, 2020 and December 31, 2019 was as follows:

	For the six-month periods ended June 30,	
	2020	**2019**
	S/(000)	**S/(000)**
Director's compensation	3,385	3,422
Senior Management Compensation:		
Remuneration	23,599	22,858
Stock awards vested	14,425	14,587
Total	41,409	40,867

f) As of June 30, 2020 and December 31, 2019 the Group holds interests in various funds managed by certain of the Group's subsidiaries. The details of the funds are presented below:

	As of June 30, 2020	**As of December 31, 2019**
	S/(000)	**S/(000)**
At fair value through profit or loss:		
Mutual funds, investment funds and hedge funds		
Bolivianos	130,413	126,722
Soles	55,713	59,934
U.S. Dollars	51,751	38,149
Colombian pesos	13,138	17,475
Chilean pesos	5,481	6,765
Total	256,496	249,045
Restricted mutual funds, Note 6(a)(iv)	438,963	460,086

33 FINANCIAL INSTRUMENTS CLASSIFICATION

The table below shows the carrying amounts of the financial assets and liabilities captions in the interim condensed consolidated statement of financial position, by categories as defined under IFRS 9 as of June 30,2020 and December 31, 2019:

	As of June 30, 2020						As of December 31, 2019					
	Financial assets and liabilities at fair value through profit or loss		Financial assets at fair value through other comprehensive income				Financial assets and liabilities at fair value through profit or loss		Financial assets at fair value through other comprehensive income			
	Investments and hedges	Investments designated at inception	Investments	Investments designated at inception	Financial assets and liabilities measured at amortized cost	Total	Investments and hedges	Investments designated at inception	Investments	Investments designated at inception	Financial assets and liabilities measured at amortized cost	Total
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Assets												
Cash and due from banks	–	–	–	–	36,116,382	36,116,382	–	–	–	–	25,986,762	25,986,762
Guarantee funds, reverse repurchase agreements and securities borrowings	–	–	–	–	2,920,789	2,920,789	–	–	–	–	4,288,524	4,288,524
At fair value through profit or loss	5,118,995	–	–	–	–	5,118,995	3,850,762	–	–	–	–	3,850,762
Investments at fair value through other comprehensive income	–	–	31,683,873	529,792	–	32,213,665	–	–	25,623,934	578,789	–	26,202,723
Amortized cost investments	–	–	–	–	4,304,386	4,304,386	–	–	–	–	3,477,046	3,477,046
Loans, net	–	–	–	–	124,329,176	124,329,176	–	–	–	–	110,485,717	110,485,717
Financial assets designated at fair value through profit or loss	–	662,634	–	–	–	662,634	–	620,544	–	–	–	620,544
Premiums and other policies receivable	–	–	–	–	799,644	799,644	–	–	–	–	838,731	838,731
Accounts receivable from reinsurers and coinsurers	–	–	–	–	817,773	817,773	–	–	–	–	791,704	791,704
Due from customers on acceptances	–	–	–	–	331,591	331,591	–	–	–	–	535,222	535,222
Other assets, Note 13(a)	1,749,092	–	–	–	3,352,130	5,101,222	1,092,107	–	–	–	1,700,861	2,792,968
	6,868,087	662,634	31,683,873	529,792	172,971,871	212,716,257	4,942,869	620,544	25,623,934	578,789	148,104,567	179,870,703
Liabilities												
Deposits and obligations	–	–	–	–	129,664,332	129,664,332	–	–	–	–	112,005,385	112,005,385
Payables from repurchase agreements and securities lending	–	–	–	–	22,437,742	22,437,742	–	–	–	–	7,678,016	7,678,016
Due to banks and correspondents	–	–	–	–	8,374,009	8,374,009	–	–	–	–	8,841,732	8,841,732
Bankers' acceptances outstanding	–	–	–	–	331,591	331,591	–	–	–	–	535,222	535,222
Accounts payable to reinsurers and coinsurers	–	–	–	–	221,118	221,118	–	–	–	–	216,734	216,734
Lease liabilities	–	–	–	–	797,947	797,947	–	–	–	–	847,504	847,504
Financial liabilities at fair value through profit or loss	480,952	–	–	–	–	480,952	493,700	–	–	–	–	493,700
Bonds and notes issued	–	–	–	–	17,250,531	17,250,531	–	–	–	–	14,946,363	14,946,363
Other liabilities, Note 13(a)	1,813,971	–	–	–	4,621,059	6,435,030	1,040,282	–	–	–	3,206,544	4,246,826
	2,294,923	–	–	–	183,698,329	185,993,252	1,533,982	–	–	–	148,277,500	149,811,482

34 FINANCIAL RISK MANAGEMENT

The Group's activities involve principally the use of financial instruments, including derivatives. It also accepts deposits from customers at both fixed and floating rates, for various periods, and invests these funds in high-quality assets. Additionally, it places these deposits at fixed and variable rates with legal entities and individuals, considering the finance costs and expected profitability.

The Group also trades in financial instruments where it takes positions in traded and over-the-counter instruments, derivatives included, to take advantage of short-term market movements on securities, bonds, currencies and interest rates.

Given the Group's activities, it has a framework for risk appetite, a corner stone of the management. The risk management processes involve continuous identification, measurement, treatment and monitoring. The Group is exposed, principally, to operating risk, credit risk, liquidity risk, market risk, strategic risk and insurance technical risk. Finally, it reports on a consolidated basis the risks to which the Group is exposed.

a) Risk management structure -

The Board of Directors of the Group and of each subsidiary are ultimately responsible for identifying and controlling risks; however, there are separate independent instances in the major subsidiaries responsible for managing and monitoring risks, as further explained below:

(i) Group's Board of Directors -

Credicorp Board of Directors -

This Board of Directors is responsible for the overall risk management approach and for the approval of the levels of risk appetite that the Group is prepared to assume. Furthermore, it approves the guidelines and policies for Integral Risk Management. On the other hand, the Board establishes an organizational culture which emphasizes the importance of risk management, oversees the internal control system and ensures the adequate performance of the compliance function.

Group Company Boards -

The Board of each of the Group companies is responsible for aligning the risk management established by the Board of Credicorp with the context of each one of them. For that, it establishes a framework for risk appetite, policies and guidelines.

(ii) Credicorp Risk Committee -

Represents the Board of Credicorp in risk management decision-making. This Committee defines the strategies used for the adequate management of the different types of risks and the supervision of risk appetite. In addition to it, they establish principles, policies and general limits.

The Risk Committee is presided by a Board member of Credicorp, it also consists of two additional members of the Board of Credicorp, a Board member of BCP, the General Manager of BCP, the Central Manager of Planning and Finance of BCP, the Central Risk Manager of BCP and the Manager of the Risk Management Division of BCP.

In addition to effectively managing all the risks, the Credicorp Risk Committee is supported by the following committees which report periodically on all relevant changes or issues relating to the risks being managed:

Credit Risk Committees (retail and non-retail) -

The Credit Risk Committees are responsible for reviewing the tolerance level of the credit risk appetite, the limits of exposure and the actions for the implementation of corrective measures, in case there are deviations. In addition, they propose credit risk management norms and policies within the framework of governance and the organization for the integral management of credit risk. Furthermore, they propose the approval of any changes to the functions described above and important findings to the Risk Committee.

Treasury and ALM (Asset Liability Management) Risk Committee -

The Treasury Risk Committee and ALM Credicorp are responsible for analyzing and proposing the corporate objectives, guidelines and policies for Treasury Risk Management and ALM of all the companies of the Group. As well as, monitoring the indicators and limits of Credicorp market risk appetite and each of the companies of the Group. Further, they are responsible of be aware of the actions for the implementation of the corrective measures if there are deviations from appetite levels and risk tolerance assumed by the companies of Group. Furthermore, they are responsible for proposing the approval of any changes in the functions described above and for reporting any finding to the Risk Committee.

Credicorp Model Risk Committee -

The Credicorp Model Risk Committee is responsible for analyzing and proposing the actions corrections in case there are deviations with respect to the degrees of exposure assumed in the Appetite for Model Risk. Likewise, it proposes the creation and/or modification of the government for model risk management, monitoring compliance with the same. The Model Risk Committee monitors the Group's data and analytical strategy and the health status of the model portfolio. They are also responsible to inform the Committee of Credicorp Risks on exposures, related to model risk, which involve variations in the risk profile.

Operational Risk Methodology Committee -

The Credicorp Methodological Committee of Operational Risk has as main responsibilities to review the main indicators of Operational Risk of the companies of the Credicorp Group, as well as the progress of the methodologies deployed for Operational Risk and Business Continuity. Likewise, share best practices regarding the main challenges faced by Credicorp Group companies.

(iii) Central Risk Management -

The Central Risk Management is responsible for implementing policies, procedures, methodologies and actions to identify, measure, monitor, mitigate, report and control the different types of risks to which the Group is exposed. Also, it participates in the design and definition of the strategic plans of the business units to ensure that they are framed within the risk appetite metrics approved by Credicorp Board of Directors. Likewise, it also broadcasts the importance of adequate risk management, specifying in each of the units, their role in the timely identification and definition of actions corresponding.

The Central Risk Management is divided into the following units:

Credit Division -

The Credit Division proposes credit policies and evaluation criteria and credit risk management that the Group assumes with segment customers wholesaler. Evaluate and authorize loan proposals until their autonomy and propose their approval to the higher instances for those that exceed it. These guidelines are established on the basis of the policies set by the Credicorp Board, respecting the laws and regulations in force.

Risk Management Division -

The Risk Management Division is responsible for ensuring that risk management directives and policies comply with the established by the Board of Directors. In addition, it is responsible for supervising the process of risk management and for coordinating with the companies of Credicorp involved in the whole process, promoting homogeneous risk management and aligned with the best practices. It also has the task of informing Board of Directors about: global exposure and by type of risk, as well as the specific exposure of each Group company.

Retail Banking Risk Division -

This division is responsible for ensuring the quality of retail portfolio and the development of credit policies that are consistent with the overall guidelines and risk policies set by the Board of Credicorp.

Cybersecurity Management -

The Cybersecurity Management area establishes polices and regulatory framework for information security and cybersecurity risk management. It is also responsible for designing and implementing the strategies used to create and monitor controls that enable the permanent evaluation of regulatory framework effectiveness. In addition, the area supervises the performance of the functions of the responsible units, monitoring the processes used for the identification, assessment, recording and treatment of information security and cybersecurity risks.

Corporate Security and Cybernetic Crime Management -

The Corporate Security and Cybernetic Crime Management is responsible for implementing policies, procedures and actions that safeguard the security of employees, customers and assets of the organization, and protect the Group against incidents of fraud, security and reputational risk. In addition, it fosters a culture of prevention, which minimizes risks in fraud and security.

Non-financial Risks Division -

The Non-financial Risks Division is responsible for defining a non-financial risk strategy aligned with the objectives and risk appetite set by the Board of Credicorp. This strategy seeks to strengthen the management process, generate synergies, optimize resources and achieve better results among the units responsible for managing non-financial risks in the Group. Additionally, in order to achieve the objectives defined in the non-financial risk strategy, the Division is responsible for promoting risk culture, developing talent, defining indicators and generating and following-up strategic projects and initiatives.

(iv) Internal Audit Division and Compliance Division -

The Audit Division is in charge of monitoring on an ongoing basis the effectiveness and efficiency of the risk management function in the Group, verifying compliance with regulations, policies, objectives and guidelines set by the Board of Directors. On the other hand, it evaluates sufficiency and integration level of Group’s information and database systems. Finally, it ensures that independence is maintained between the functions of the risk management and business units, for each of the Group’s companies.

The Corporate Compliance and Ethics Division reports to the Board of Directors and is responsible for ensure that Credicorp Group companies specifically comply with regulations that apply to them and the guidelines established in the Code of Ethics.

b) Risk measurement and reporting systems -

The risk is measured according to models and methodologies developed for the management of each type of risk. Credicorp has risk reports that allow monitoring at the accumulated level and detailed for the different types of risks of each company which is exposed. The system has the ability to meet the appetite review needs by risk requested by the committees and areas described above; as well as complying with regulatory requirements.

c) Risk mitigation -

Depending on the type of risk, the Group uses mitigating instruments to reduce its exposure, such as guarantees, derivatives, controls and insurance, among others. Furthermore, it has policies linked to risk appetite and established procedures for each type of risk.

The Group actively uses guarantees to reduce its credit risks.

d) Risk appetite -

Based on corporate risk management, Group's Board of Directors approves the risk appetite framework to define the maximum level of risk that the organization is willing to take as seeks its strategic and financial objectives, maintaining a corporate vision in individual decisions of each entity. This Risk Appetite framework is based on "core" and specific metrics:

Core metrics are intended to preserve the organization’s strategic pillars, defined as solvency, liquidity, profit and growth, income stability and balance sheet structure.

Specific metrics objectives are intended to monitor on a qualitative and quantitative basis the various risks, to which the Group is exposed, as well as defining a tolerance threshold of each of those risks, so the risk profile set by the Board is preserved and any risk focus is anticipated on a more granular basis.

Risk appetite is instrumented through the following elements:

- Risk appetite statement: Establishes explicit general principles and the qualitative declarations which complement the risk strategy.

- Metrics scorecards: These are used to define the levels of risk exposure in the different strategic pillars.

- Limits: Allows control over the risk-taking process within the tolerance threshold established by the Board. They also provide accountability for the risk-taking process and define guidelines regarding the target risk profile.

- Government scheme: Seeks to guarantee compliance of the framework through different roles and responsibilities assigned to the units involved.

The appetite is integrated into the processes of strategic and capital guidelines, as well as in the definition of the annual budget, facilitating the strategic decision making of the organization.

e) Risk concentration -

Concentrations arise when a reduced and representative number of all counterparties of the Group are engaged in similar business activities, or activities in the same geographic region, or have similar economic and political conditions among others.

In order to avoid excessive concentrations of risk, the policies and procedures include specific guidelines to guarantee a diversified portfolio.

34.1 Credit risk -

a) The Group takes on exposure to credit risk, which is the probability of suffering losses caused by debtors or counterparties failing to comply with payment obligations in on or off the balance sheet exposures.

Credit risk is the most important risk for the Group's business; therefore, Management carefully manages its exposure to credit risk. Credit exposures arise principally from lending activities that lead to direct loans; they also result from investment activities. There is also credit risk in off-balance sheet financial instruments, such as contingent credits (indirect loans), which expose Credicorp to risks similar to direct loans. Likewise, credit risk arises from derivative financial instruments that present showing positive fair values. Finally, all exposure to credit risk (direct or indirect) is mitigated by the control processes and policies.

As part of the management of this type of risk, Credicorp assigns impairment provisions for its loan portfolio at the date of the interim condensed consolidated statement of financial position.

The Group defines the levels of credit risk assumed based on risk exposure limits, which are frequently monitored. Said limits are established in relation to one borrower or group of borrowers, geographical and industry segments. Furthermore, the risk limits by product, industry sector and by geographical segment are approved by the Risk Committee of Credicorp.

Exposure to credit risk is managed through regular analysis of the ability of debtors and potential debtors to meet interest and principal repayment obligations and by changing the credit limits when it is appropriate. Other specific control measures are outlined below:

(i) Collateral -

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is collateralization which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The main types of collateral obtained are as follows:

- For loans and advances, collateral includes, among others, mortgages on residential properties; liens on business assets such as plants, inventory and accounts receivable; and liens on financial instruments such as debt securities and equity securities.

- Long-term loans and financing to corporate entities are generally guaranteed. Loans to micro business generally have no collateral. In order to minimize credit loss, the Group will seek additional collateral from the counterparty as soon as impairment indicators arise.

- For repurchase agreements and securities lending, collateral consists of fixed income instruments and cash.

Collateral held as security for financial assets other than loans is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of assets backed securities and similar instruments, which are secured by portfolios of financial instruments.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses. As part of the Group's policies, the recovered goods are sold in seniority order. The proceeds of the sale are used to reduce or amortize the outstanding credit. In general, the Group does not use recovered assets for its operational purposes.

(ii) Derivatives -

The amount subject to credit risk is limited to the current and potential fair value of instruments that are favorable to the Group (fair value is positive). In the case of derivatives this is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as a portion of the total credit limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for this type of risk exposure.

(iii) Credit-related commitments -

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and letters of credit have the same credit risk as direct loans. Documentary and commercial letters of credit - which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions - are collateralized by the underlying shipments of goods to which they relate and therefore have less risk than a direct loan. The Group has no mandatory commitments to extend credit.

b) The maximum exposure to credit risk as of June 30, 2020 and December 31, 2019, before the effect of mitigation through any collateral, is the carrying amount of each class of financial assets described in Notes 34.7(a), 34.7(b) and the contingent credits detailed in Note 21(a).

Management is confident of its ability to continue controlling and maintaining minimal credit risk exposure within the Group, considering both its loan and securities portfolio.

c) Credit risk management for loans -

The management of credit risk is mainly based on rating and scoring of the internal models of each company of the Group. In Credicorp, a quantitative and qualitative analysis is made of each client, with regard to his financial position, his credit behavior in the System and the market in which it operates; which is carried out continuously, so as to assemble the risk profile of each operation and client with a credit position in the Group.

In the Group, a loan is internally classified as past due, depending on three aspects: the number of days in arrears based on the contractually agreed due date, the subsidiary and the type of credit. In that sense:

– Banco de Crédito del Perú, Mibanco and Solución Empresa Administradora Hipotecaria S.A. consider a past due loan:

  - For corporate enterprises, large and medium companies after 15 days past due.
  - For small and micro-business after 30 days past due.
  - For overdrafts, after 30 days past due.
  - For consumer, mortgage and lease operation products, quotas are considered past due internally when they are between 30 and 90 days past due; after 90 days, the pending loan balance is considered past due.

– Atlantic Security Bank considers a credit past due when its payment schedule of capital and/or interest exceed 30 days in arrears.

– Banco de Crédito de Bolivia, Edyficar S.A.S. and Banco Compartir S.A. consider a credit as an internal past due with effect from day 30 in arrears.

Estimate of the expected loss -

The measurement of the credit loss is based on the product of the following parameters: (i) probability of default (PD) (ii) loss given default (LGD), and (iii) Exposure at default (EAD); discounted at the reporting period, using the effective interest rate. The definition of the parameters is presented below:

– Probability of Default (PD): this is a measurement of credit rating given internally to a customer, designed to estimate their probability of default within a specific horizon. The process of obtaining the PD is carried out through scoring and rating tools.

  The Group considers that a financial instrument is in default if it meets the following conditions depending on the type of asset:

  - Consumer Products, Credit Card and SME: If the costumer, at some point, presents arrears equal to or greater than 60 days and/or has operations that are refinanced, restructured, in pre-judicial, judicial proceedings or written off.

  - Mortgage Product: If the customer, at some point, presents arrears equal to or greater 120 days and/or has operations that are refinanced, restructured, in pre-judicial, judicial proceedings or written off.

  - Commercial Banking: Those customers that are in the Special Accounts portfolio or have risk classification as deficient, doubtful or lost, or have refinanced, judicial or written off operations. Also, a customer can be considered as Default in case there are signs of significant qualitative impairment to consider it in said stage.

  - Investments: If the instrument has a Default rating according to external rating agencies such as Fitch, Standard & Poors or Moody's or with an indicator of arrears equal to or greater than 90 days. Also, a customer can be considered as Default in case of signs of significant qualitative impairment.

– Loss Given Default (LGD): Is a measurement which estimates the severity of the loss which would be incurred at the time of the default. It has two approaches in the estimate of the severity of the loss, depending on the stage of the customer:

  - LGD Workout: The LGD workout is the real loss of the customers who have arrived at the stage of default. The recoveries and costs of each one of the operations are used in order to calculate it (Includes open and closed recovery processes).

  - LGD ELBE (Expected Loss Best Estimate): The LGD ELBE is the loss of the contracts in a default situation, based on the time in arrears of the operation (The longer the operation is in default, the greater will be the loss level).

– Exposure at Default (EAD): Is a measurement which estimates the exposure at the time of the customer goes into default, taking into account changes in future exposure, for example, in the case of prepayments and/or greater utilization of unused lines.

  Accordingly, the estimated of the parameters take into consideration information regarding the actual conditions, as well as the projections of future macroeconomic events and conditions in three scenarios (base, optimistic and pessimistic) which are analyzed in order to obtain the expected loss.

The fundamental difference between the credit loss of an account considered as Stage 1 and Stage 2 is the PD horizon. Specifically, the estimates of Stage 1 use a maximum PD of 12 months, while those in Stage 2 will use a PD measured for the entire life of the instrument. The estimates of Stage 3 will be carried out on the basis of a best estimate LGD.

In those cases, in which the portfolio is immaterial and does not have credit score models, the option was to extrapolate the loss ratio of portfolios with comparable characteristics.

Prospective information:

The measurement of expected credit losses for each stage and the evaluation of significant increases in credit risk consider information on previous events and current conditions, as well as reasonable projections based on future events and economic conditions.

For the estimation of the risk parameters (PD, LGD, EAD), used in the calculation of the provision in stages 1 and 2, the significance of the macroeconomic variables (or their variations) that have the greatest influence on each portfolio was tested. Each macroeconomic scenario used in calculating the expected loss considers projections of relevant macroeconomic variables, such as the gross domestic product (GDP), employment, terms of trade, inflation, among others, for a period of 3 years and a long-term projection.

The estimate of the expected loss for stages 1, 2 and 3 is a weighted estimate that considers three future macroeconomic scenarios. The base, optimistic and pessimistic scenarios, as well as the probability of occurrence of each scenario, are macroeconomic projections provided by the Economic Studies Management. It should be noted that the scenario design is adjusted quarterly. All the scenarios considered apply to portfolios subject to expected credit losses with the same probabilities.

Changes from one stage to another

The classification of an instrument as stage 1 or stage 2 depends on the concept of "significant increase in credit risk" at the reporting date compared to the origin. This classification is updated monthly. As the IFRS 9 states, this classification depends on the following criteria:

- An account is classified in stage 2 if it has more than 30 days of payment delay.
- Additionally, significant risk thresholds were established based on absolute and relative thresholds that depend on the level of risk in which the instrument originated. The thresholds differ for each of the portfolios considered.
- Additional qualitative reviews are carried out based on the segmentation of risks used in the management of Retail Banking and an individual review in Wholesale Banking.

Additionally, all those accounts classified as default at the reporting date according to the management definition used by the Group are considered as stage 3.

Evaluations of a significant increase in risk from initial recognition and credit deterioration are carried out independently on each reporting date. Assets can be moved in both directions from one phase to another; in this sense, a financial asset that migrated to stage 2 will return to stage 1, if its credit risk did not increase significantly from its initial recognition until a subsequent reporting period. Likewise, an asset that is in stage 3 will return to stage 2 if the credit is no longer considered to be impaired.

Expected life

For the instruments in stage 2 or 3, the reserves for losses will cover the expected credit losses during the expected time of the remaining useful life of the instrument. For most instruments, the expected life is limited to the remaining contractual life, adjusted by expected anticipated payments. In the case of revolving products, a statistical analysis was carried out in order to determine what would be the expected life period.

The following is a summary of the direct credits classified into three important groups and their respective allowance for each of the types of loans:

(i) Loans neither past due nor impaired, which comprise those direct loans which currently do not have characteristics of delinquency and which are not in default.
(ii) Past due but unimpaired loans, which comprise all of the loans of customers who are not in default, but have failed to make a payment at its contractual maturity, according to the provisions of the rules of IFRS 7.
(iii) Impaired loans, those considered to be in stage 3 or default, as detailed in Note 34.1(c).

	As of June 30, 2020				As of December 31, 2019			
Commercial loans	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	S/(000)	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**
Neither past due nor impaired	69,044,492	4,565,888	–	73,610,380	56,270,934	2,948,066	–	59,219,000
Past due but not impaired	1,164,316	253,606	–	1,417,922	815,751	250,311	–	1,066,062
Impaired	–	–	3,534,876	3,534,876	–	–	2,812,011	2,812,011
Gross	70,208,808	4,819,494	3,534,876	78,563,178	57,086,685	3,198,377	2,812,011	63,097,073
Less: Allowance for loan losses	622,801	384,522	1,220,451	2,227,774	416,692	161,190	982,950	1,560,832
Total, net	69,586,007	4,434,972	2,314,425	76,335,404	56,669,993	3,037,187	1,829,061	61,536,241
Residential mortgage loans	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	S/(000)	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**
Neither past due nor impaired	16,627,699	863,380	–	17,491,079	17,477,899	507,910	–	17,985,809
Past due but not impaired	1,136,911	306,807	–	1,443,718	424,741	270,792	–	695,533
Impaired	–	–	1,123,162	1,123,162	–	–	994,479	994,479
Gross	17,764,610	1,170,187	1,123,162	20,057,959	17,902,640	778,702	994,479	19,675,821
Less: Allowance for loan losses	88,650	79,980	535,019	703,649	43,217	25,710	472,718	541,645
Total, net	17,675,960	1,090,207	588,143	19,354,310	17,859,423	752,992	521,761	19,134,176
Microbusiness loans	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	S/(000)	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**
Neither past due nor impaired	11,314,824	5,845,381	–	17,160,205	13,363,213	1,535,064	–	14,898,277
Past due but not impaired	184,805	363,432	–	548,237	301,879	299,700	–	601,579
Impaired	–	–	1,282,472	1,282,472	–	–	1,253,969	1,253,969
Gross	11,499,629	6,208,813	1,282,472	18,990,914	13,665,092	1,834,764	1,253,969	16,753,825
Less: Allowance for loan losses	599,770	1,166,077	999,055	2,764,902	515,662	249,457	931,587	1,696,706
Total, net	10,899,859	5,042,736	283,417	16,226,012	13,149,430	1,585,307	322,382	15,057,119
Consumer loans	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	S/(000)	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**
Neither past due nor impaired	9,632,981	2,968,690	–	12,601,671	12,108,752	1,932,209	–	14,040,961
Past due but not impaired	422,729	293,058	–	715,787	203,147	278,295	–	481,442
Impaired	–	–	900,959	900,959	–	–	758,836	758,836
Gross	10,055,710	3,261,748	900,959	14,218,417	12,311,899	2,210,504	758,836	15,281,239
Less: Allowance for loan losses	703,812	1,212,238	800,169	2,716,219	263,788	431,433	629,558	1,324,779
Total, net	9,351,898	2,049,510	100,790	11,502,198	12,048,111	1,779,071	129,278	13,956,460
Consolidated of credits	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	S/(000)	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**
Total gross direct credits, Note 7(a)	109,528,757	15,460,242	6,841,469	131,830,468	100,966,316	8,022,347	5,819,295	114,807,958
Total allowance for loan losses, Note 7(a)	2,015,033	2,842,817	3,554,694	8,412,544	1,239,359	867,790	3,016,813	5,123,962
Total net direct credits	107,513,724	12,617,425	3,286,775	123,417,924	99,726,957	7,154,557	2,802,482	109,683,996

(iv) In accordance with IFRS 7, the entire loan balance is considered past due when debtors have failed to make a payment when contractually due.

	As of June 30, 2020					As of December 31, 2019				
	Commercial loans	Residential mortgage loans	Small and microenterprise loans	Consumer loans	Total	Commercial loans	Residential mortgage loans	Microbusiness loans	Consumer loans	Total
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Impaired loans	3,534,876	1,123,162	1,282,472	900,959	6,841,469	2,812,011	994,479	1,253,969	758,836	5,819,295
Fair value of collateral	3,129,548	977,718	370,503	195,153	4,672,922	2,491,069	864,473	330,347	193,319	3,879,208
Allowance for loan losses	1,220,451	535,019	999,055	800,169	3,554,694	982,950	472,718	931,587	629,558	3,016,813

On the other hand, the breakdown of loans classified by maturity is shown below, according to the following criteria:

(i) Current loans which comprise those direct loans which do not currently have characteristics of delinquency, nor are they in default or stage 3, according to the rules of IFRS 9.
(ii) Current but impaired loans, which comprise those direct loans which do not currently have characteristics of delinquency, but are in default or stage 3, according to IFRS 9.
(iii) Loans with payment delay of one day or more, but are not past due according to our internal guidelines. Comprise those direct loans of customers who have failed to make a payment at its contractual maturity, that is, with at least one day past-due. However, the days of delinquency are insufficient to be considered as past due under the Group's internal criteria.
(iv) Past due loans under internal criteria.

The total of the concepts: loans with a delay of payment from the first day and the amounts of the internal overdue loans reflect the totality of "past due" loans consistent with IFRS 7.

	As of June 30, 2020						As of December 31, 2019					
	Current loans	Current but impaired loans	Loans with delays in payments of one day or more but not considered internal overdue loans	Internal overdue loans	Total	Total past due under IFRS 7	Current loans	Current but impaired loans	Loans with delays in payments of one day or more but not considered internal overdue loans	Internal overdue loans	Total	Total past due under IFRS 7
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Neither past due nor impaired	120,860,465	–	–	2,874	120,863,339	2,874	106,143,943	–	–	103	106,144,046	103
Past due but not impaired	13,138	–	3,762,558	349,965	4,125,661	4,112,523	(30)	–	2,569,349	275,296	2,844,615	2,844,645
Impaired debt	–	2,948,717	394,784	3,497,967	6,841,468	3,892,751	–	2,274,182	515,628	3,029,487	5,819,297	3,545,115
Total	120,873,603	2,948,717	4,157,342	3,850,806	131,830,468	8,008,148	106,143,913	2,274,182	3,084,977	3,304,886	114,807,958	6,389,863

The classification of loans by type of banking and maturity is as follows:

	As of June 30, 2020					As of December 31, 2019				
	Current loans	Current but impaired loans	Loans with delays in payments of one day or more but not considered internal overdue loans	Internal overdue loans	Total	Current loans	Current but impaired loans	Loans with delays in payments of one day or more but not considered internal overdue loans	Internal overdue loans	Total
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Commercial loans	73,620,639	1,989,385	1,346,604	1,606,553	78,563,181	59,218,904	1,460,816	1,027,177	1,390,176	63,097,073
Residential mortgage loans	17,491,078	326,754	1,597,680	642,444	20,057,956	17,985,809	284,279	868,087	537,646	19,675,821
Small and microenterprise loans	17,160,214	309,625	427,453	1,093,622	18,990,914	14,898,270	247,076	635,436	973,043	16,753,825
Consumer loans	12,601,672	322,953	785,605	508,187	14,218,417	14,040,930	282,011	554,277	404,021	15,281,239
Total	120,873,603	2,948,717	4,157,342	3,850,806	131,830,468	106,143,913	2,274,182	3,084,977	3,304,886	114,807,958

Provision of credit loss for direct and indirect loan is a weighted estimate of three macroeconomic scenarios: base, optimistic and pessimistic; that are based on macroeconomic projections provided by the internal team of Economic Studies and approved by Senior Management. In each scenario, the Group bases itself on a wide variety of prospective information such as economic inputs, including: the growth of the gross domestic product, inflation rate, exchange rate, among others.

The following table provides a comparison between the carrying amount of provision of credit loss for direct and indirect loan and its estimation under three scenarios: base, optimistic and pessimistic.

	Balance As of June 30, 2020	Balance As of December 31, 2019
	S/(000)	S/(000)
Carrying amount	8,882,998	5,507,759
Scenarios:		
Optimistic	8,247,612	5,426,608
Base Case	8,559,290	5,509,729
Pessimistic	8,905,898	5,584,965

d) Credit risk management on reverse repurchase agreements and securities borrowing -

Most of these operations are performed by Credicorp Capital. The Group has implemented credit limits for each counterparty and most of transactions are collateralized with investment grade financial instruments and financial instruments issued by Governments.

e) Credit risk management on investments -

The Group evaluates the credit risk identified of each of the investments, disclosing the risk rating granted to them by a risk rating agency. For investments traded in Peru, risk ratings used are those provided by the three most prestigious Peruvian rating agencies (authorized by Peruvian regulator) and for investments traded abroad, the risk-ratings used are those provided by the three most prestigious international rating agencies.

In the event that any subsidiary uses a risk-rating prepared by any other risk rating agency, said risk-ratings are standardized with those provided by the above-mentioned institutions.

The following table shows the analysis of the risk-rating of the investments, provided by the institutions referred to above:

	As of June 30, 2020		**As of December 31, 2019**	
	S/(000)	**%**	**S/(000)**	**%**
Instruments rated in Peru:				
AAA	97,145	0.2	1,621,270	4.8
AA- a AA+	3,135	–	1,853,042	5.5
A- to A+	1,098,366	2.6	8,970,590	26.8
BBB- to BBB+	16,056,765	38.6	1,874,556	5.6
BB- to BB+	680,560	1.6	517,146	1.5
Unrated:				
BCRP certificates of deposit	11,039,856	26.5	8,665,272	25.8
Listed and unlisted securities	517,077	1.2	573,485	1.7
Restricted mutual funds	438,963	1.1	460,086	1.4
Investment funds	132,038	0.3	102,085	0.3
Mutual funds	129,132	0.3	291,024	0.9
Other instruments	97,701	0.2	264,497	0.8
Subtotal	30,290,738	72.6	25,193,053	75.1

	As of June 30, 2020		As of December 31, 2019	
	S/(000)	**%**	**S/(000)**	**%**
Instruments rated abroad:				
AAA	1,364,844	3.3	657,787	2.0
AA- a AA+	1,006,001	2.5	854,501	2.5
A- to A+	1,942,072	4.7	1,581,995	4.7
BBB- to BBB+	3,621,025	8.7	2,974,639	8.9
BB- to BB+	1,518,387	3.6	996,917	3.0
Lower and equal to +B	226,984	0.5	54,316	0.2
Unrated:				
Listed and unlisted securities	203,694	0.5	88,799	0.3
Participations of RAL funds	343,379	0.8	300,398	0.9
Mutual funds	351,080	0.8	302,528	0.9
Investment funds	160,596	0.4	294,158	0.9
Hedge funds	56,040	0.2	33,223	0.1
Other instruments	552,206	1.4	198,217	0.5
Subtotal	11,346,308	27.4	8,337,478	24.9
Total	41,637,046	100.0	33,530,531	100.0

It is worth mentioning that the change in the risk-rating of the investments has had an impact on the measurement of the expected loss.

f) Concentration of financial instruments exposed to credit risk -

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

	As of June 30, 2020					**As of December 31, 2019**				
	At fair value through profit for loss					**At fair value through profit for loss**				
	Held for trading, hedging and others (*)	**Designated at inception**	**Financial assets at amortized cost**	**At fair value through other comprehensive income investments**	**Total**	**Held for trading, hedging and others (*)**	**Designated at inception**	**Financial assets at amortized cost**	**At fair value through other comprehensive income investments**	**Total**
	S/(000)	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**
Central Reserve Bank of Peru	749,480	−	25,727,765	10,296,130	36,773,375	−	−	21,166,346	8,665,272	29,831,618
Financial services	2,996,005	252,026	17,845,745	5,015,060	26,108,836	2,856,512	237,240	13,281,408	2,883,301	19,258,461
Manufacturing	209,359	24,770	18,128,802	1,324,177	19,687,108	202,554	36,686	15,608,834	1,225,118	17,073,192
Mortgage loans	−	−	19,317,761	−	19,317,761	−	−	18,985,407	−	18,985,407
Consumer loans	−	−	13,912,415	−	13,912,415	−	−	14,809,503	−	14,809,503
Micro-business loans	−	−	6,346,876	−	6,346,876	−	−	13,902,760	−	13,902,760
Commerce	31,408	3,270	22,062,448	589,139	22,686,265	21,228	12,468	12,636,843	452,214	13,122,753
Government and public administration	2,400,345	1,163	4,853,811	8,894,255	16,149,574	1,581,527	12,994	3,985,158	7,170,624	12,750,303
Electricity, gas and water	168,820	63,251	4,437,774	2,832,875	7,502,720	91,055	50,929	3,014,319	2,286,932	5,443,235
Community services	711	−	6,056,609	−	6,057,320	−	−	4,858,427	5,798	4,864,225
Communications, storage and transportation	40,685	289,381	6,840,803	1,280,568	8,451,437	17,306	59,392	4,421,095	1,071,335	5,569,128
Mining	51,311	6,234	3,287,097	278,257	3,622,899	41,687	27,875	3,195,049	146,362	3,410,973
Construction	22,583	1,616	2,988,948	338,347	3,351,494	20,847	3,967	2,089,164	322,864	2,436,842
Agriculture	9,334	−	3,731,584	20,863	3,761,781	1,963	−	3,050,141	17,887	3,069,991
Insurance	18,576	−	1,794,320	898	1,813,794	5,100	−	123,771	986	129,857
Education, health and others	15,482	17,460	1,736,757	738,454	2,508,153	4,543	53,792	1,364,542	644,143	2,067,020
Real estate and leasing	72,655	3,463	9,300,998	551,074	9,928,190	43,203	125,201	7,158,667	1,276,941	8,604,012
Fishing	892	−	517,105	8,371	526,368	321	−	417,067	−	417,388
Others	80,441	−	4,084,253	45,197	4,209,891	55,023	−	4,036,066	32,946	4,124,035
Total	6,868,087	662,634	172,971,871	32,213,665	212,716,257	4,942,869	620,544	148,104,567	26,202,723	179,870,703

(*) It includes non-trading investments that did not pass SPPI test.

As of June 30, 2020 and December 31,2019 financial instruments with exposure to credit risk were distributed by the following geographical areas:

	As of June 30, 2020					As of December 31, 2019				
	At fair value through profit for loss					At fair value through profit for loss				
	Held for trading, hedging and others (*)	Designated at inception	Financial assets at amortized cost	At fair value through other comprehensive income investments	Total	Held for trading, hedging and others (*)	Designated at inception	Financial assets at amortized cost	At fair value through other comprehensive income investments	Total
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Peru	2,630,843	57,004	150,863,859	23,642,529	177,194,235	688,099	138,293	130,436,702	20,674,142	151,937,236
United States of America	577,947	385,978	3,109,404	4,384,698	8,458,027	568,588	275,991	982,944	2,770,903	4,598,426
Bolivia	569,552	−	9,998,282	671,569	11,239,403	494,547	−	9,218,219	555,028	10,267,794
Colombia	1,323,708	9,011	3,241,632	1,219,064	5,793,415	1,346,042	21,289	2,627,353	385,794	4,380,478
Panama	10,974	−	498,923	99,451	609,348	−	−	905,675	91,571	997,246
Chile	347,386	10,143	2,087,414	645,314	3,090,257	683,822	34,606	2,047,951	450,382	3,216,761
Brazil	133,654	−	325,829	47,320	506,803	6,023	5,867	485,594	40,472	537,956
Mexico	88,793	38,677	4,473	309,977	441,920	28,846	18,093	5,962	247,713	300,614
Canada	22,619	361	63,986	106,518	193,484	29,976	−	109,233	108,494	247,703
Europe:										
United Kingdom	184,763	3,218	529,763	88,316	806,060	189,658	14,950	273,477	80,965	559,050
Others in Europe	143,952	24,634	514,436	40,132	723,154	127,915	17,184	83,979	46,331	275,409
France	607,425	20,306	7,541	169,180	804,452	227,823	8,850	27,244	169,632	433,549
Spain	21,713	−	52,796	75,271	149,780	11,105	−	32,836	32,366	76,307
Switzerland	780	1,262	41,343	45,102	88,487	514	−	980	26,136	27,630
Netherlands	1,201	1,924	14,931	72,360	90,416	−	−	26,024	108,343	134,367
Others	202,777	110,116	1,617,259	596,864	2,527,016	539,911	85,421	840,394	414,451	1,880,177
Total	6,868,087	662,634	172,971,871	32,213,665	212,716,257	4,942,869	620,544	148,104,567	26,202,723	179,870,703

(*) It includes non-trading investments that did not pass SPPI test.

g) Offsetting financial assets and liabilities -

The disclosures set out in the tables below include financial assets and liabilities that:

- Are offset in the Group’s interim condensed consolidated statement of financial position; or
- Are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the interim condensed consolidated statement of financial position.

Similar agreements include derivative clearing agreements, master repurchase agreements, and master securities lending agreements. Similar financial instruments include derivatives, accounts receivable from reverse repurchase agreements and securities borrowing, payables from repurchase agreements and securities lending and other financial assets and liabilities. Financial instruments such as loans and deposits are not disclosed in the tables below because they are not offset in the interim condensed consolidated statement of financial position.

The offsetting framework contract issued by the International Swaps and Derivatives Association Inc. (“ISDA”) and similar master offsetting arrangements do not meet the criteria for offsetting in the interim condensed consolidated statement of financial position, because said agreements were created in order for both parties to have an enforceable offsetting right in cases of default, insolvency or bankruptcy of the Group or the counterparties or following other predetermined events. In addition, the Group and its counterparties do not intend to settle said instruments on a net basis or to realize the assets and settle the liabilities simultaneously.

The Group receives and gives collateral in the form of cash and trading securities in respect of the following transactions:

- Derivatives;
- Accounts receivable from reverse repurchase agreements and securities borrowing;
- Payables from repurchase agreements and securities lending; and
- Other financial assets and liabilities

Such collateral adheres to standard industry terms including, when appropriate, an ISDA Credit Support Annex. This means that securities received/given as collateral can be pledged or sold during the term of the transaction but have to be returned on maturity of the transaction. The terms also give each party the right to terminate the related transactions upon the counterparty’s failure to return the respective collateral.

34.2 Market risk -

The Group has exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rates, currency, commodities and equity products; all of which are exposed to general and specific market movements and changes in the level of volatility of prices such as interest rates, credit spreads, foreign exchange rates and equity prices. Due to the nature of the Group’s current activities, commodity price risk is not applicable.

The Group separates exposures to market risk in two groups: (i) those that arise from value fluctuation of trading portfolios recognized at fair value through profit or loss due to movements of market rates or prices (Trading Book) and (ii) those that arise from changes in the structural positions of non-trading portfolios due to movements of the interest rates, prices and foreign exchange ratios (Banking Book) and that are recorded at amortized cost and at fair value with changes in other comprehensive income, this is due to movements in interest rates, prices and currency exchange rates.

The risks that trading portfolios face are managed through Value at Risk (VaR) historical simulation techniques; while non-trading portfolios (Banking Book) are monitored using rate sensitivity metrics, which are a part of Asset and Liability Management (ALM).

a) Trading Book -

The trading book is characterized for having liquid positions in stocks, bonds, foreign currencies and derivatives, arising from market-making transactions where the Group acts as principal with the customers or with the market. This portfolio includes investments and derivatives classified by Management as held for trading.

(i) Value at Risk (VaR) -

The Group applies the VaR approach to its trading portfolio to estimate the market risk of the main positions held and the maximum losses that are expected, based upon a number of assumptions for various changes in market conditions and considering the risk appetite of the subsidiary.

Daily calculation of VaR is a statistically-based estimate of the maximum potential loss on the current portfolio from adverse market movements.

VaR expresses the “maximum” amount the Group might lose, but only to a certain level of confidence (99 percent). There is therefore a specified statistical probability (1 percent) that actual loss could be greater than the VaR estimate. The VaR model assumes a certain “holding period” until positions can be closed (1 - 10 days).

The time horizon used to calculate VaR is one day; however, the one-day VAR is amplified to a 10-day time frame and calculated multiplying the one-day VaR by the square root of 10. This adjustment will be accurate only if the changes in the portfolio in the following days have a normal distribution independent and identically distributed; because of that, the result is multiplied by a non-normality adjustment factor. The limits and consumptions of the VaR are established on the basis of the risk appetite and the trading strategies of each subsidiary.

The assessment of portfolio movements has been based on annual historical information and 121 market risk factors, which are detailed below; 33 market curves, 65 stock prices, 20 mutual fund values, 3 series of volatility and 1 survival probability curve. The Group directly applies these historical changes in rates to each position in its current portfolio (method known as historical simulation).

The Group Management considers that the market risk factors, incorporated in their VaR model, are adequate to measure the market risk to which its trading portfolio is exposed.

The use of this approach does not prevent losses outside of these limits in the event of more significant market movements. Losses exceeding the VaR figure may occur, on average under normal market conditions, not more than once every hundred days.

VaR limits have been established to control and keep track of all the risks taken. These risks arise from the size of the positions and/or the volatility of the risk factors embedded in each financial instrument. Regular reports are prepared for the Treasury Risk Committee and ALM, the Risk Management Committee and Senior Management.

VaR results are used to generate economic capital estimates by market risk, which are periodically monitored and are part of the overall risk appetite of each subsidiary. Furthermore, at Group level, there is also a limit to the risk appetite of the trading portfolio, which is monitored and informed to the Treasury Risks and ALM Credicorp Committee.

In VaR calculation, the effects of the exchange rate are not included because said effects are measured in the net monetary position, see note 34.2 (b)(ii).

The Group's VaR showed an increase as of June 30, 2020, by Interest Rate and Price effect due to the increase in the Fixed Income position, mainly in Banco de Crédito del Perú subsidiary, as well as an increase in the volatility of interest rates and equities prices caused by the COVID-19 pandemic. The VaR remains contained within the limits of the risk appetite established by the Bank's Risk Management of each subsidiary.

As of June 30, 2020 and December 31, 2019, the Group's VaR by risk type is as follows:

	As of June 30, 2020	As of December 31, 2019
	S/(000)	S/(000)
Interest rate risk	176,361	9,274
Price risk	36,559	7,809
Volatility risk	4,580	463
Diversification effect	(73,373)	(6,245)
Consolidated VaR by type of risk	144,127	11,301

In VaR calculation, financial instruments from the trading book were taken.

On the other hand, the instruments recorded as fair values through profit or loss are not part of the selling business model and are considered as part of the sensitivity analysis of rates in the next section. See the chart of sensitivity of earnings at risk, net economic value and price sensitivity.

b) Banking Book -

Non-trading portfolios which comprise the Banking Book are exposed to different risks, given that they are sensitive to market rate movements, which could bring about a deterioration in the value of assets compared to liabilities and hence to a reduction of their net worth.

(i) Interest rate risk -

The Banking Book-related interest rate risk arises from eventual changes in interest rates that may adversely affect the expected gains (risk gains) or market value of financial assets and liabilities reported on the balance sheet (net economic value). The Group assumes the exposure to the interest rate risk that may affect their fair value as well as the cash flow risk of future assets and liabilities.

The Risk Committee sets the guidelines regarding the level of unmatched repricing of interest rates that can be tolerated, which is periodically monitored through ALCO.

Corporate policies include guidelines for the management of the Group's exposure to the interest rate risk. These guidelines are implemented considering the features of each segment of business in which the Group entities operate.

In this regard, Group companies that are exposed to the interest rate risk are those that have yields based on interest, such as credits, investments and technical reserves. Interest rate risk management in BCP Peru, BCP Bolivia, MiBanco, Atlantic Security Bank and Pacífico Grupo Asegurador is carried out by performing a repricing gap analysis, sensitivity analysis of the financial margin (GER) and sensitivity analysis of the net economic value (VEN). These calculations consider different rate shocks in stress scenarios.

Analysis of repricing gap -

The repricing gap analysis is intended to measure the risk exposure of interest rate for repricing periods, in which both balance and out of balance assets and liabilities are grouped. This allows identifying those sections in which the rate variations would have a potential impact.

The table below summarizes the Group's exposure to interest rate risks. It includes the Group's financial instruments at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates, what occurs first:

	As of June 30, 2020						
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Non-interest bearing	Total
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Assets							
Cash and cash collateral, reverse repurchase agreements and securities borrowing	23,360,540	1,342,809	2,256,412	4,994,776	89,345	6,993,289	39,037,171
Investments	4,400,966	3,921,803	5,689,042	7,005,219	14,971,229	529,792	36,518,051
Loans, net	13,203,043	17,037,216	28,564,331	49,134,896	15,965,884	423,806	124,329,176
Financial assets designated at fair value through profit or loss	-	-	-	-	-	662,634	662,634
Premiums and other policies receivable	764,760	22,057	8,190	4,637	-	-	799,644
Accounts receivable from reinsurers and coinsurers	799	129,906	685,083	1,471	514	-	817,773
Other assets (*)	245,390	-	-	-	-	3,574,036	3,819,426
Total assets	41,975,498	22,453,791	37,203,058	61,140,999	31,026,972	12,183,557	205,983,875
Liabilities							
Deposits and obligations	31,385,883	14,209,488	19,132,621	53,502,154	8,636,196	2,797,990	129,664,332
Payables from repurchase agreements and securities lending	1,183,027	4,495,026	6,851,328	15,489,537	2,774,525	18,308	30,811,751
Accounts payable to reinsurers and coinsurers	47,085	136,559	26,364	11,110	-	-	221,118
Technical reserves for claims and insurance premiums	269,439	738,325	1,235,470	2,855,276	5,235,993	296,387	10,630,890
Financial liabilities at fair value through profit or loss	-	-	-	-	-	480,952	480,952
Bonds and Notes issued	61	1,994,216	394,403	14,230,382	394,493	236,976	17,250,531
Other liabilities (**)	479,552	316,493	15,246	-	-	4,269,506	5,080,797
Equity	-	-	-	-	-	23,876,056	23,876,056
Total liabilities and equity	33,365,047	21,890,107	27,655,432	86,088,459	17,041,207	31,976,175	218,016,427
Off-balance-sheet accounts							
Derivative financial assets	2,118,979	2,227,879	329,378	661,244	–	–	5,337,480
Derivative financial liabilities	105,862	2,119,905	1,463,514	1,301,216	238,600	–	5,229,097
	2,013,117	107,974	(1,134,136)	(639,972)	(238,600)	–	108,383
Marginal gap	10,623,568	671,658	8,413,490	(25,587,432)	13,747,165	(19,792,618)	(11,924,169)
Accumulated gap	10,623,568	11,295,226	19,708,716	(5,878,716)	7,868,449	(11,924,169)	–

(*) Other assets and other liabilities only include financial accounts.
(**) It includes banker's acceptances outstanding and other liabilities.

Investments for trading purposes are not considered (investments at fair value through profit or loss and trading derivatives), because these instruments are part of the trading book and the Value at Risk methodology is used to measure market risks.

	As of December 31, 2019						
	Up to 1 month	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**Non-interest bearing**	**Total**
	S/(000)	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**	**S/000**
Assets							
Cash and cash collateral, reverse repurchase agreements and securities borrowing	12,702,384	1,841,425	3,683,141	5,351,933	125,088	6,571,315	30,275,286
Investment	1,462,956	1,346,028	7,786,732	5,876,624	12,628,641	578,788	29,679,769
Loans, net	14,595,317	17,107,120	28,291,817	35,086,667	15,737,689	(332,893)	110,485,717
Financial assets designated at fair value through profit or loss	−	−	−	−	−	620,544	620,544
Premiums and other policies receivable	802,558	22,866	8,496	4,811	−	−	838,731
Accounts receivable from reinsurers and coinsurers	734	120,600	668,551	1,348	471	−	791,704
Other assets (*)	273,338	38,841	8	−	−	2,023,067	2,335,254
Total assets	29,837,287	20,476,880	40,438,745	46,321,383	28,491,889	9,460,821	175,027,005
Liabilities							
Deposits and obligations	29,478,976	9,711,623	19,010,084	43,285,525	7,339,092	3,180,085	112,005,385
Payables from repurchase agreements and securities lending	3,742,155	3,269,341	4,969,337	1,784,133	2,528,985	225,797	16,519,748
Accounts payable to reinsurers and coinsurers	46,144	133,864	25,838	10,888	−	−	216,734
Technical reserves for claims and insurance premiums	266,556	703,337	1,166,055	2,703,092	5,056,900	54,293	9,950,233
Financial liabilities at fair value through profit or loss	−	−	−	−	−	493,700	493,700
Bonds and Notes issued	180,311	252,316	1,683,166	10,060,986	2,753,679	15,905	14,946,363
Other liabilities (**)	437,529	361,087	3,765	−	−	3,008,995	3,811,376
Equity	−	−	−	−	−	26,746,310	26,746,310
Total liabilities and equity	34,151,671	14,431,568	26,858,245	57,844,624	17,678,656	33,725,085	184,689,849
Off-balance-sheet accounts							
Derivative financial assets	2,806,693	2,849,046	454,349	272,223	165,700	−	6,548,011
Derivative financial liabilities	323,360	821,872	3,798,631	1,110,774	406,320	−	6,460,957
	2,483,333	2,027,174	(3,344,282)	(838,551)	(240,620)	−	87,054
Marginal gap	(1,831,051)	8,072,486	10,236,218	(12,361,792)	10,572,613	(24,264,264)	(9,575,790)
Accumulated gap	(1,831,051)	6,241,435	16,477,653	4,115,861	14,688,474	(9,575,790)	−

(*) Other assets and other liabilities only include financial accounts.
(**) Includes banker's acceptances outstanding and other liabilities.

Investments for trading purposes are not considered (investments at fair value through profit or loss and trading derivatives), because these instruments are part of the trading book and the Value at Risk methodology is used to measure market risks.

Sensitivity to changes in interest rates -

The sensitivity analysis of a reasonable possible change in interest rates on the banking book comprises an assessment of the sensitivity of the financial margins that seeks to measure the potential changes in the interest accruals over a period of time and the expected movement of the interest rate curves, as well as the sensibility of the net economic value, which is a long-term metric measured as the difference arising between the Net Economic Value of assets and liabilities before and after a variation in interest rates.

The sensitivity of the financial margin is the effect of the assumed changes in interest rates on the net financial interest income before income tax and non-controlling interest for one year, based on non-trading financial assets and financial liabilities held as of June 30, 2020 and December 31, 2019, including the effect of derivative instruments.

The sensitivity of the Net Economic Value is calculated by reassessing the financial assets and liabilities sensitive to rates, except for the trading instruments, including the effect of any associated hedge, and derivative instruments designated as a cash flow hedge. Regarding rate risk management, no distinction is made by accounting category for the investments that are considered in these calculations.

The results of the sensitivity analysis regarding changes in interest rates as of June 30, 2020 and December 31, 2019, are presented below:

As of June 30, 2020

Currency	**Changes in basis points**		**Sensitivity of net profit**		**Sensitivity of Net Economic Value**	
			S/(000)		**S/(000)**	
Soles	+/-	50	-/+	6,358	-/+	567,713
Soles	+/-	75	-/+	9,537	-/+	851,569
Soles	+/-	100	-/+	12,716	-/+	1,135,426
Soles	+/-	150	-/+	19,074	-/+	1,703,139
U.S. Dollar	+/-	50	+/-	76,235	+/-	152,033
U.S. Dollar	+/-	75	+/-	114,352	+/-	228,049
U.S. Dollar	+/-	100	+/-	152,469	+/-	304,066
U.S. Dollar	+/-	150	+/-	228,704	+/-	456,098

As of December 31, 2019

Currency	**Changes in basis points**		**Sensitivity of net profit**		**Sensitivity of Net Economic Value**	
			S/(000)		**S/(000)**	
Soles	+/-	50	-/+	7,696	-/+	520,389
Soles	+/-	75	-/+	11,544	-/+	780,584
Soles	+/-	100	-/+	15,392	-/+	1,040,778
Soles	+/-	150	-/+	23,088	-/+	1,561,167
U.S. Dollar	+/-	50	+/-	52,276	-/+	50,253
U.S. Dollar	+/-	75	+/-	78,413	-/+	75,379
U.S. Dollar	+/-	100	+/-	104,551	-/+	100,506
U.S. Dollar	+/-	150	+/-	156,827	-/+	150,759

The interest rate sensitivities set out in the table above are only illustrative and are based on simplified scenarios. The figures represent the effect of the pro-forma movements in the net interest income based on the projected yield curve scenarios and the Group's current interest rate risk profile. This effect, however, does not incorporate actions that would be taken by Management to mitigate the impact of this interest rate risk.

The Group seeks proactively to change the interest rate risk profile to minimize losses and optimize net revenues. The projections above also assume that the interest rate of all maturities moves by the same amount and, therefore, do not reflect the potential impact on net interest income of some rates changing while others remain unchanged.

The Group measures potential changes in market prices for investments in equity securities and funds that are non-trading, recorded at fair value through other comprehensive income and at fair value through profit or loss, respectively. A 10, 25 and 30 percent of changes in market prices is conducted to these price-sensitivity securities.

The market price sensitivity tests as of June 30, 2020 and December 31, 2019 are presented below:

Equity securities

Measured at fair value through other comprehensive income	**Change in market prices**	**As of June 30, 2020**	**As of December 31, 2019**
	%	**S/(000)**	**S/(000)**
Equity securities	+/-10	52,164	57,920
Equity securities	+/-25	130,410	144,800
Equity securities	+/-30	156,491	173,760

Funds

Measured at fair value through profit or loss	**Change in market prices**	**As of June 30, 2020**	**As of December 31, 2019**
	%	**S/(000)**	**S/(000)**
Participation in mutual funds	+/-10	61,021	59,127
Participation in mutual funds	+/-25	152,552	147,818
Participation in mutual funds	+/-30	183,062	177,381
Restricted mutual funds	+/-10	43,896	46,009
Restricted mutual funds	+/-25	109,741	115,022
Restricted mutual funds	+/-30	131,689	138,026
Participation in RAL funds	+/-10	34,338	30,040
Participation in RAL funds	+/-25	85,845	75,100
Participation in RAL funds	+/-30	103,014	90,119
Investment funds	+/-10	29,076	30,576
Investment funds	+/-25	72,691	76,440
Investment funds	+/-30	87,229	91,728
Hedge funds	+/-10	5,675	3,364
Hedge funds	+/-25	14,187	8,410
Hedge funds	+/-30	17,025	10,092
Exchange Trade Funds	+/-10	1,773	1,360
Exchange Trade Funds	+/-25	4,433	3,399
Exchange Trade Funds	+/-30	5,319	4,079

(ii) Foreign currency exchange risk -

The Group is exposed to fluctuations in foreign currency exchange rates on its financial position and cash flows. Management sets limits on the level of exposure by currency and overnight and intra-day total positions, which are monitored daily.

As of June 30, 2020, the free market exchange rate for buying and selling transactions for each U.S. Dollars, the main foreign currency held by the Group, was S/3.538 (S/3.314 as of December 31, 2019).

Foreign currency transactions are made at the free market exchange rates of the countries where Credicorp's Subsidiaries are established. As of June 30, 2020 and December 31, 2019, the Group's assets and liabilities by currencies were as follows:

	As of June 30, 2020				As of December 31, 2019			
	Soles	U.S. Dollars	Other currencies	Total	Soles	U.S. Dollars	Other currencies	Total
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Monetary assets								
Cash and due from banks	8,975,437	25,757,299	1,383,646	36,116,382	3,960,190	20,762,648	1,263,924	25,986,762
Cash collateral, reverse repurchase agreements and securities borrowing	4,986	2,540,920	374,883	2,920,789	150,009	3,389,090	749,425	4,288,524
Investments:								
At fair value through profit or loss	1,399,311	2,208,832	1,510,852	5,118,995	800,370	1,053,925	1,996,467	3,850,762
At fair value through other comprehensive income	21,620,370	8,753,439	1,310,064	31,683,873	18,221,102	6,869,840	532,582	25,623,524
At amortized cost	4,182,846	97,158	24,382	4,304,386	3,355,579	100,299	21,168	3,477,046
Loans, net	78,686,050	36,972,918	8,670,208	124,329,176	66,737,870	35,598,141	8,149,706	110,485,717
Financial assets designated at fair value through profit or loss	19,897	642,737	–	662,634	44,223	576,321	–	620,544
Other assets	2,494,667	3,774,799	687,719	6,957,185	2,072,867	2,142,237	678,111	4,893,215
Total monetary assets	117,383,564	80,748,102	13,961,754	212,093,420	95,342,210	70,492,501	13,391,383	179,226,094
Monetary liabilities								
Deposits and obligations	(69,325,131)	(50,687,938)	(9,651,263)	(129,664,332)	(56,769,748)	(46,319,179)	(8,916,458)	(112,005,385)
Payables from repurchase agreements and securities lending	(20,129,469)	(782,656)	(1,525,617)	(22,437,742)	(5,068,896)	(734,441)	(1,874,679)	(7,678,016)
Due to bank and correspondents	(4,203,290)	(3,834,933)	(335,786)	(8,374,009)	(3,798,717)	(4,709,610)	(333,405)	(8,841,732)
Lease liabilities	(144,863)	(580,873)	(72,211)	(797,947)	(162,103)	(605,036)	(80,365)	(847,504)
Financial liabilities at fair value through profit or loss	(91,355)	(200,145)	(189,452)	(480,952)	–	(94,475)	(399,225)	(493,700)
Technical reserves for claims and insurance	(5,656,923)	(4,966,065)	(7,902)	(10,630,890)	(5,642,772)	(4,301,468)	(5,993)	(9,950,233)
Bonds and notes issued	(3,814,299)	(13,160,920)	(275,312)	(17,250,531)	(4,028,893)	(10,660,989)	(256,481)	(14,946,363)
Other liabilities	(3,493,195)	(3,604,065)	(903,212)	(8,000,472)	(3,541,350)	(1,951,682)	(874,416)	(6,367,448)
Total monetary liabilities	(106,858,525	(77,817,595)	(12,960,755)	(197,636,875)	(79,012,479)	(69,376,880)	(12,741,022)	(161,130,381)
	10,525,039	2,930,507	1,000,999	14,456,545	16,329,731	1,115,621	650,361	18,095,713
Forwards position, net	2,559,972	(2,348,012)	(213,698)	(1,738)	1,534,948	(1,351,414)	(116,899)	66,635
Currency swaps position, net	2,659,955	(619,740)	163,970	2,204,185	281,672	(281,672)	–	–
Cross currency swaps position, net	(2,867,975)	1,077,148	(467,570)	(2,258,397)	(787,355)	692,525	(57,715)	(152,545)
Options, net	532,741	(532,741)	–	–	25,071	(25,071)	–	–
Net monetary position	13,409,732	507,162	483,701	14,400,595	17,384,067	149,989	475,747	18,009,803

The Group manages foreign exchange risk by monitoring and controlling the currency position values exposed to changes in exchange rates. The Group measures its performance in soles. (since 2014 considering its change in functional currency, it was measured in U.S. Dollars before), so if the net foreign currency exchange position (U.S. Dollar) is positive, any depreciation of soles would positively affect the Group's interim condensed consolidated statement of financial position. The current position in a foreign currency comprises exchange rate-linked assets and liabilities in that currency. An institution's open position in individual currencies comprises assets, liabilities and off-balance sheet items denominated in the respective foreign currency for which the institution itself bears the risk; any appreciation/depreciation of the foreign exchange would affect the interim condensed consolidated statement of income.

The Group's net foreign exchange position is the sum of its positive open non-soles positions (net long position) less the sum of its negative open non-soles positions (net short position). Any depreciation/appreciation of the foreign exchange position would affect the interim condensed consolidated statement of income. A currency mismatch would leave the Group's interim condensed consolidated statement of financial position vulnerable to a fluctuation of foreign currency (exchange rate shock).

The table below shows the sensitivity analysis of the U.S. Dollar, the currency to which the Group had significant exposure as of June 30, 2020 and December 31, 2019 in its monetary assets and liabilities and its forecast cash flows. The analysis determines the effect of a reasonably possible variation of the exchange rate against Soles with all other variables held constant on the interim condensed consolidated statement of income, before income tax. A negative amount in the table reflects a potential net reduction in the interim condensed consolidated statement of income, while a positive amount reflects a net potential increase:

Currency rate sensitivity	**Change in currency rates**	**As of June 30, 2020**	**As of December 31, 2019**
	%	**S/000**	**S/000**
Depreciation -			
Soles in relation to U.S. Dollar	5	24,151	7,142
Soles in relation to U.S. Dollar	10	46,106	13,635
Appreciation -			
Soles in relation to U.S. Dollar	5	(26,693)	(7,894)
Soles in relation to U.S. Dollar	10	(56,351)	(16,665)

34.3 Liquidity risk -

Liquidity risk is the risk that the Group is unable to meet its short-term payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. In this sense, the company that is facing a liquidity crisis would be failing to comply with the obligations to pay depositors and with commitments to lend or satisfy other operational cash needs.

The Group is exposed to daily cash requirements, interbank deposits, current accounts, time deposits, use of loans, guarantees and other requirements. The Management of the Group's subsidiaries establishes limits for the minimum funds amount available to cover such cash withdrawals and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand. Sources of liquidity are regularly reviewed by the corresponding risk teams to maintain a wide diversification by currency, geography, type of funding, provider, producer and term.

The procedure to control the mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks to be completely matched, as transacted business is often based on uncertain terms and of different types. An unmatched position potentially enhances profitability, but also increases liquidity risk, which generates exposure to potential losses.

Maturities of assets and liabilities and the ability to replace them, at an acceptable cost are important factors in assessing the liquidity of the Group.

A mismatch, in maturity of long-term illiquid assets against short-term liabilities, exposes the interim condensed consolidated statement of financial position to risks related both to rollover and to interest rates. If liquid assets do not cover maturing debts, an interim condensed consolidated statement of financial position is vulnerable to a rollover risk. Furthermore, a sharp increase in interest rates can dramatically increase the cost of rolling over short-term liabilities, leading to a rapid increase in debt cost. The contractual-maturity gap report is useful in showing liquidity characteristics.

Corporate policies have been implemented for liquidity risk management by the Group. These policies are consistent with the particular characteristics of each operating segment in which each of the Group companies operate. Risk Management heads set up limits and autonomy models to determine the adequate liquidity indicators to be managed.

Commercial banking and Microfinance:

Liquidity risk exposure in BCP Peru, BCP Bolivia, Mibanco and Atlantic Security Bank is based on indicators such as the Internal Liquidity Coverage Ratio (RCLI, the Spanish acronym) which measures the amount of liquid assets available to meet cash outflows needs within a given stress scenario for a period of 30 days and the Internal Ratio of Stable Net Funding (RFNEI, the Spanish acronym), which is intended to guarantee that long-term assets are financed at least with a minimum number of stable liabilities within a prolonged liquidity crisis scenario and works as a minimum compliance mechanism that supplements the RCLI. The core limits of these indicators are 100% and any excess is presented in the Credicorp Treasury Risk Committee, Credicorp Risk Committee and the Assets Liabilities Committee (ALCO) of the respective subsidiary.

Insurances and Pensions:

Insurances**:** Liquidity risk management in Pacífico Grupo Asegurador follows a particular approach given the nature of the business. For annually renewable businesses, mainly general insurance, the emphasis of liquidity is focused on the quick availability of resources in the event of a systemic event (e.g. earthquake); for this purpose, there are minimum investment indicators in place relating to local cash/time deposits and foreign fixed-income instruments of high quality and liquidity.

For long-term businesses such as Pacífico Seguros, given the nature of the products offered and the contractual relationship with customers (the liquidity risk is not material); the emphasis is on maintaining sufficient flow of assets and matching their maturities with maturities of obligations (mathematical technical reserves); for this purpose there are indicators that measure the asset/liability sufficiency and adequacy as well as calculations or economic capital subject to interest rate risk, this last under the methodology of Credicorp.

Pensions**:** Liquidity risk management in AFP Prima is carried out in a differentiated manner between the fund administrator and the funds being managed. Liquidity management regarding the fund administrator is focused on hedge meeting periodic operating expense needs, which are supported with the collection of commissions. The fund administering entity does not record unexpected outflows of liquidity.

Investment banking:

Liquidity risk in the Grupo Credicorp Capital principally affects the security brokerage. In managing this risk, limits of use of liquidity have been established as well as mismatching by dealing desk; follow-up on liquidity is performed on a daily basis for a short-term horizon covering the coming settlements. If short-term unmatched maturities are identified, repos are used. On the other hand, structural liquidity risk of Credicorp Capital is not significant given the low levels of debt, which is monitored regularly using financial planning tools.

In the case of Atlantic Security Bank, the risk liquidity management performs through indicators such as Internal Liquidity Coverage Ratio (RCLI, the Spanish acronym) and the Internal Ratio of Stable Net Funding (RFNEI, the Spanish acronym) with the core limits of 100% and any excess is presented in the Credicorp Treasury Risk Committee, Credicorp Risk Committee and the Assets Liabilities Committee (ALCO) of the respective subsidiary.

Companies perform a liquidity risk management using the liquidity Gap or contractual maturity Gap.

The table below presents the cash flows payable by the Group by remaining contractual maturities (including future interest payments) at the date of the consolidated statement of financial position. The amounts disclosed in the table are the contractual undiscounted cash flows:

	As of June 30, 2020						As of December 31, 2019					
	Up to a month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 Year	Total	Up to a month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 Year	Total
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/000	S/000
Financial assets	47,249,551	24,428,232	46,853,367	81,098,495	43,816,819	243,446,464	35,352,840	22,105,919	49,635,736	63,189,798	42,676,791	212,961,084
Financial liabilities by type -												
Deposits and obligations	33,136,595	15,763,290	21,657,102	50,900,048	9,509,952	130,966,987	33,056,293	10,879,383	22,008,052	42,265,306	9,820,049	118,029,083
Payables from reverse purchase agreements and security lendings and due to banks and correspondents	984,048	4,229,969	6,913,156	15,037,218	8,573,688	35,738,079	3,880,781	1,810,265	1,118,503	1,933,857	7,624,058	16,367,464
Accounts payable to reinsurers	47,085	136,559	26,364	11,110	–	221,118	46,144	133,864	25,838	10,888	–	216,734
Financial liabilities designated at fair value through profit or loss	480,952	–	–	–	–	480,952	493,700	–	–	–	–	493,700
Bonds and notes issued	166,285	2,069,555	1,056,251	15,695,696	675,759	19,663,546	549,434	149,009	2,138,869	11,255,465	2,709,880	16,802,657
Lease liabilities	44,419	36,262	126,968	444,037	215,102	866,788	10,857	21,751	96,013	434,797	468,213	1,031,631
Other liabilities	2,963,872	353,629	603,112	418,862	1,341,283	5,680,758	2,719,050	285,956	347,590	217,701	1,200,736	4,771,033
Total liabilities	37,823,256	22,589,264	30,382,953	82,506,971	20,315,784	193,618,228	40,756,259	13,280,228	25,734,865	56,118,014	21,822,936	157,712,302
Derivative financial liabilities -												
Contractual amounts receivable (Inflows)	1,004,758	559,588	1,163,434	966,372	970,273	4,664,425	921,774	722,448	1,244,120	966,488	966,870	4,821,700
Contractual amounts payable (outflows)	337,433	863,219	757,937	1,155,904	972,125	4,086,618	501,611	435,484	787,985	1,224,424	983,394	3,932,898
Total liabilities	667,325	(303,631)	405,497	(189,532)	(1,852)	577,807	420,163	286,964	456,135	(257,936)	(16,524)	888,802

34.4 Operational risk -

Operational risk is the possibility of the occurrence of losses arising from inadequate processes, human error, failure of information technology, relations with third parties or external events. Operational risks can, lead to financial losses and have legal or regulatory compliance consequences, but exclude strategic or reputational risk (with the exception of companies under Colombian regulations, where reputational risk is included in operational risk).

Operational risks are grouped into internal fraud, external fraud, labor relations and job security, relations with customers, business products and practices, damages to material assets, business and systems interruption, and failures in process execution, delivery and management of processes.

One of the Group’s pillars is to develop an efficient risk culture, and to achieve this, it records operational risks and their respective process controls. The risk map permits their monitoring, prioritization and proposed treatment according to established governance. Likewise carries out an active cybersecurity and fraud prevention management, aligned with the best international practices.

The business continuity management system enables the establishing, implementing, operating, monitoring, reviewing, maintaining and improving of business continuity based on best practices and regulatory requirements. The Group implements recovery strategies for the resources that support important products and services of the organization, which will be periodically tested to measure the effectiveness of the strategy.

In the management of operational risk, cybersecurity, fraud prevention and business continuity, corporate guidelines are used, and methodologies and best practices are shared among the Group's companies.

The management of information security is carried out through a systemic process, documented and known by the entire organization under the best practices and regulatory requirements. The Group designs and develops the guidelines described in the policy and procedures to have strategies for availability, privacy and integrity of the information assets of the organization.

34.5 Risk of the insurance activity -

The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. The Group’s placement of reinsurance is diversified so that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

Life insurance contracts -

The main risks that the Group is exposed to are mortality, morbidity, longevity, investment yield and flow, losses arising from policies due to the expense incurred being different than expected, and the policyholder decision; all of which, do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured or industry.

The Group’s underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is achieved through diversification across insurable risks, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims.

For contracts when death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in more claims than expected.

For retirement, survival and disability annuities contracts, the most significant factor is continuing improvement in medical science and social conditions that increase longevity.

Management has performed a sensitivity analysis of the technical reserve estimates.

Non-life insurance contracts (general insurance and healthcare) -

The Group mainly issues the following types of non-life general insurance contracts: automobile, technical branches, business and healthcare insurances. Healthcare contracts provide medical expense cover to policyholders. Risks under non-life insurance policies usually cover 12 months.

For general insurance contracts the most significant risks arise from climate changes, natural disasters and other type of damages. For healthcare contracts the most significant risks arise from lifestyle changes, epidemics and medical science and technology improvements.

Most of these risks do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured or industry.

The above risk exposures are mitigated by diversification across a large portfolio of insurance contracts. The variability of risk is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risks and level of insured benefits. This is achieved, in various cases, through diversification across industry sectors and geography. Furthermore, strict claim review policies to assess all new and ongoing claims and in process of settlement, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the Group’s risk exposure. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs. Also, the Group actively manages and promptly pursues claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

The Group has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit its exposure to catastrophic events.

Credit risk of the insurance activity –

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge the total obligation at maturity.

The following policies and procedures are in place to mitigate the Group’s exposure to credit risk:

- The Group sets the maximum amounts and limits that may be granted to corporate counterparties according to their long- term credit ratings.

- Credit risk from customer balances related to non-payment of premiums or contributions, will only persist during the grace period specified in the policy document or trust deed until the policy is paid up or terminated. Commissions paid to intermediaries are netted off against amounts receivable from them in order to reduce the risk of doubtful accounts.

- Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following guidelines in respect of counterparties’ limits which are set each year by the Board of Directors and are subject to regular reviews. At each reporting date, Management performs an assessment of creditworthiness of reinsurers and updates the reinsurance contracts strategy, determining whether the need exists to establish an allowance for impairment.

- A Group policy setting out the assessment and determination of what constitutes credit risk for the Group is in place, its compliance is monitored, and exposures and breaches are reported to the Group risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.

- The Group issues Investment Link life insurance contracts whereby the policyholder bears the investment risk on the financial assets held in the Company's investment portfolio as the policy benefits are directly linked to the value of the assets in the portfolio. Therefore, the Group has no material credit risk on Investment Link financial assets.

34.6 Capital management -

The Group maintains an actively managed capital base to cover risks inherent in its business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the SBS, the supervising authority of its major subsidiaries and for consolidation purposes. Furthermore, capital management responds to market expectations in relation to the solvency of the Group and to support the growth of the businesses considered in the strategic planning. In this way, the capital maintained by the Group enables it to assume unexpected losses in normal conditions and conditions of severe stress.

The Group's objectives when managing capital are: (i) to comply with the capital requirements set by the regulators of the markets where the entities within the Group operate; (ii) to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and (iii) to maintain a strong capital base to support the development of its business, in line with the limits and tolerances established in the declaration of Risk Appetite.

As of June 30, 2020 and December 31, 2019, the regulatory capital for the Subsidiaries engaged in financial and insurance activities amounted to approximately S/28,032.4 million and S/25,732 million, respectively. The regulatory capital has been determined in accordance with SBS regulations in force as of said dates. Under the SBS regulations, the Group's regulatory capital exceeds by approximately S/7,782.8 million the minimum regulatory capital required as of June 30, 2020 (approximately S/4,151.6 million as of December 31, 2019).

34.7 Fair values -

a) Financial instruments recorded at fair value and fair value hierarchy –

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the consolidated statement of financial position:

		As of June 30, 2020				As of December 31, 2019			
	Note	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
		S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Financial assets									
Derivative financial instruments:									
Currency swaps		–	507,765	–	507,765	–	411,656	–	411,656
Interest rate swaps		–	788,353	–	788,353	–	269,219	–	269,219
Foreign currency forwards		–	301,088	–	301,088	–	306,148	–	306,148
Cross currency swaps		–	135,706	–	135,706	–	98,585	–	98,585
Foreign exchange options		–	8,084	–	8,084	–	6,489	–	6,489
Futures		–	8,096	–	8,096	–	10	–	10
	13(b)	–	1,749,092	–	1,749,092	–	1,092,107	–	1,092,107
Investments at fair value through profit of loss	6(a)	2,839,550	1,600,165	679,280	5,118,995	2,320,141	786,477	744,144	3,850,762
Financial assets at fair value through profit of loss	8	621,242	41,392	–	662,634	558,471	62,073	–	620,544
Investments at fair value through other comprehensive income:									
Debt Instruments									
Corporate bonds		4,063,479	7,310,543	–	11,374,022	3,171,451	5,621,363	939	8,793,753
Certificates of deposit BCRP		–	10,296,133	–	10,296,133	–	8,665,272	–	8,665,272
Government treasury bonds		7,736,602	733,942	–	8,470,544	6,194,116	620,465	–	6,814,581
Securitization instruments		–	706,199	10,634	716,833	–	629,818	–	629,818
Negotiable certificates of deposit		–	478,085	–	478,085	–	377,296	–	377,296
Subordinated bonds		42,830	137,534	–	180,364	29,778	135,609	–	165,387
Other instruments		–	178,597	–	178,597	–	177,417	–	177,417
Equity instruments		213,199	293,309	12,579	519,087	239,555	320,579	19,065	579,199
	6(b)	12,056,110	20,134,342	23,213	32,213,665	9,634,900	16,547,819	20,004	26,202,723
Total financial assets		15,516,902	23,524,991	702,493	39,744,386	12,513,512	18,488,476	764,148	31,766,136
Financial liabilities									
Derivatives financial instruments:									
Interest rate swaps		–	1,001,848	–	1,001,848	–	365,774	–	365,774
Currency swaps		–	339,007	–	339,007	–	366,545	–	366,545
Foreign currency forwards		–	361,059	–	361,059	–	246,960	–	246,960
Cross currency swaps		–	86,738	–	86,738	–	54,775	–	54,775
Foreign exchange options		–	21,527	–	21,527	–	6,089	–	6,089
Futures		–	3,792	–	3,792	–	139	–	139
	13(b)	–	1,813,971	–	1,813,971	–	1,040,282	–	1,040,282
Financial liabilities at fair value through profit or loss		–	480,952	–	480,952	–	493,700	–	493,700
Total financial liabilities		–	2,294,923	–	2,294,923	–	1,533,982	–	1,533,982

Financial instruments included in the Level 1 category are those that are measured on the basis of quotations obtained in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Financial instruments included in the Level 2 category are those that are measured on the basis of observable market factors. This category includes instruments valued using: quoted prices for similar instruments, either in active or less active markets and other valuation techniques (models) where all significant inputs are directly or indirectly observable based on market data.

Following is a description of how fair value is determined for the main Group's financial instruments where valuation techniques were used with inputs based on market data which incorporate Credicorp's estimates on the assumptions that market participants would use for measuring these financial instruments:

- Valuation of derivative financial instruments -

  Interest rate swaps, currency swaps and forward exchange contracts are measured by using valuation techniques where inputs are based on market data. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs, including the credit quality of counterparties, spot exchange rates, forward rates and interest rate curves. Options are valued using well-known, widely accepted valuation models.

  A credit valuation adjustment (CVA) is applied to the "Over-The-Counter" derivative exposures to take into account the counterparty's risk of default when measuring the fair value of the derivative. CVA is the mark-to market cost of protection required to hedge credit risk from counterparties in this type of derivatives portfolio. CVA is calculated by multiplying the probability of default (PD), the loss given default (LGD) and the expected exposure (EE) at the time of default.

  A debit valuation adjustment (DVA) is applied to include the Group's own credit risk in the fair value of derivatives (that is the risk that the Group might default on its contractual obligations), using the same methodology as for CVA.

  As of June 30, 2020, the balance of receivables and payables corresponding to derivatives amounted to S/1,749.1 million and S/1,814 million respectively, See Note 13(b), generating DVA and CVA immaterial adjustments that have not changed significantly compared to the period 2019. As of December 31, 2019, the balance of receivables and payables corresponding to derivatives amounted to S/1,092.1 million and S/1,040.3 million, respectively, See Note 13(b), generating DVA and CVA adjustments for approximately S/12.6 million and S/14.0 million, respectively. Also, the net impact of both items in the consolidated statement of income amounted to S/3.2 million.

- Valuation of debt securities classified in the category "at fair value through other comprehensive income" and included in level 2 -

  Valuation of certificates of deposit BCRP, corporate, leasing, subordinated bonds and Government treasury bonds are measured calculating their Net Present Values (NPV) through discounted cash flows, using appropriate and relevant zero coupon rate curves to discount cash flows in the respective currency and considering observable current market transactions.

Certificates of deposit BCRP (CD BCRP) are securities issued at a discount in order to regulate the liquidity of the financial system. They are placed mainly through public auction or direct placement, are freely negotiable by their holders in the Peruvian secondary market and may be used as collateral in Repurchase Agreement Transactions of Securities with the BCRP.

Other debt instruments are measured using valuation techniques based on assumptions supported by prices from observable current market transactions, obtained via pricing services. Nevertheless, when prices have not been determined in an active market, fair values are based on broker quotes and assets that are valued using models whereby the majority of assumptions are market observable.

- Valuation of financial instruments included in level 3 -

These are measured using valuation techniques (internal models), based on assumptions that are not supported by transaction prices observable in the market for the same instrument, nor based on available market data.

In this regard, no significant differences were noted between the estimated fair values and the respective carrying amounts.

As of June 30, 2020 and December 31, 2019, the net unrealized loss of Level 3 financial instruments amounted to S/1.1 million and S/1.9 million, respectively. At said dates, changes in the carrying amount of Level 3 financial instruments have not been significant since there were no purchases, issuances, settlements or any other significant movements or transfers from level 3 to Level 1 or Level 2 or vice versa.

b) Financial instruments not measured at fair value -

We present below the disclosure of the comparison between the carrying amounts and fair values of the financial instruments, which are not measured at fair value, presented in the consolidated statement of financial position by level of the fair value hierarchy:

	As of June 30, 2020					As of December 31, 2019				
	Level 1	**Level 2**	**Level 3**	**Fair value**	**Book value**	**Level 1**	**Level 2**	**Level 3**	**Fair value**	**Book value**
	S/(000)	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**	**S/(000)**
Assets										
Cash and due from banks	–	36,116,382	–	36,116,382	36,116,382	–	25,986,762	–	25,986,762	25,986,762
Cash collateral, reverse repurchase agreements and securities borrowing	–	2,920,789	–	2,920,789	2,920,789	–	4,288,524	–	4,288,524	4,288,524
Investments at amortized cost	4,660,451	125,792	–	4,786,243	4,304,386	3,772,509	124,222	–	3,896,731	3,477,046
Loans, net	–	124,329,176	–	124,329,176	124,329,176	–	110,485,717	–	110,485,717	110,485,717
Premiums and other policies receivable	–	799,644	–	799,644	799,644	–	838,731	–	838,731	838,731
Accounts receivable from reinsurers and coinsurers	–	817,773	–	817,773	817,773	–	791,704	–	791,704	791,704
Due from customers on acceptances	–	331,591	–	331,591	331,591	–	535,222	–	535,222	535,222
Other assets	–	3,352,130	–	3,352,130	3,352,130	–	1,700,861	–	1,700,861	1,700,861
Total	4,660,451	168,793,277	–	173,453,728	172,971,871	3,772,509	144,751,743	–	148,524,252	148,104,567
Liabilities										
Deposits and obligations	–	129,664,332	–	129,664,332	129,664,332	–	112,005,385	–	112,005,385	112,005,385
Payables on repurchase agreements and securities lending	–	22,437,742	–	22,437,742	22,437,742	–	7,678,016	–	7,678,016	7,678,016
Due to Banks and correspondents and other entities	–	8,558,113	–	8,558,113	8,374,009	–	9,032,177	–	9,032,177	8,841,732
Banker’s acceptances outstanding	–	331,591	–	331,591	331,591	–	535,222	–	535,222	535,222
Payable to reinsurers and coinsurers	–	221,118	–	221,118	221,118	–	216,734	–	216,734	216,734
Lease liabilities	–	797,947	–	797,947	797,947	–	847,504	–	847,504	847,504
Bond and notes issued	–	17,907,939	–	17,907,939	17,250,531	–	15,638,835	–	15,638,835	14,946,363
Other liabilities	–	4,621,059	–	4,621,059	4,621,059	–	3,206,544	–	3,206,544	3,206,544
Total	–	184,539,841	–	184,539,841	183,698,329	–	149,160,417	–	149,160,417	148,277,500

The methodologies and assumptions used by the Group to determine fair values depend on the terms and risk characteristics of the various financial instruments and include the following:

(i) Long-term fixed-rate and variable-rate loans are evaluated by the Group based on parameters such as interest rates, specific country risk factors, and individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the incurred losses of these loans. As of June 30, 2020 and December 31, 2019, the carrying amounts of loans, net of allowances, were not materially different from their calculated fair values.

(ii) Assets for which fair values approximate their carrying value - For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair values. This assumption is also applied to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

(iii) Fixed rate financial instruments - The fair value of fixed rate financial assets and liabilities carried at amortized cost are estimated by comparing market interest rates when they were first recognized with current market rates offered for similar financial instruments. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing market interest rates for financial instruments with similar credit risk and maturity. For quoted debt issued the fair values are calculated based on quoted market prices. When quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity.

34.8 Fiduciary activities, management of funds and pension funds -

The Group provides custody, trustee, investment management and advisory services to third parties; therefore, the Group makes allocations and purchase and sale decisions in relation to a wide range of financial instruments. Assets that are held in a fiduciary capacity are not included in these consolidated financial statements. These services give rise to the risk that the Group will be accused of mismanagement or under-performance.

As of June 30, 2020 and December 31, 2019, the value of the net assets under administration off the balance sheet (in millions of soles) is as follows:

	As of June 30, 2020	**As of December 31, 2019**
Pension funds	46,055	53,912
Investment funds and mutual funds	40,386	43,635
Equity managed	20,202	18,387
Bank trusts	4,573	4,834
Total	111,216	120,768

35 COMMITMENTS AND CONTINGENCIES

Legal claim contingencies –

i) Madoff Trustee Litigation -

In September 2011, the Trustee for the liquidation of Bernard L. Madoff Investment Securities LLC (BLMIS) and the substantively consolidated estate of Bernard L. Madoff (the Madoff Trustee) filed a complaint (the Madoff Complaint) against Credicorp's subsidiary ASB in the U.S. Bankruptcy Court for the Southern District of New York (the Bankruptcy Court). The Madoff Complaint seeks recovery of approximately US$120.0 million, which is alleged to be equal to the amount of redemptions between the end of 2004 and the beginning of 2005 of ASB-managed Atlantic U.S. Blue Chip Fund assets invested in Fairfield Sentry Limited (Fairfield Sentry). The Madoff Complaint seeks the recovery of these redemptions from ASB as "subsequent transfers" or "avoided transfers" from BLMIS to Fairfield Sentry that Fairfield Sentry in turn subsequently transferred to ASB. The Madoff Trustee has filed similar "clawback" actions against numerous other alleged "subsequent transferees" that invested in Fairfield Sentry and its sister entities, which, in turn, invested in and redeemed funds from BLMIS.

There has been significant briefing on issues related to these Madoff Trustee actions, and these cases have been pending for many years. In November 2016, the Bankruptcy Court issued a Memorandum Decision Regarding Claims to Recover Foreign Subsequent Transfers (the Memorandum Decision) holding that the recovery of certain subsequent foreign transfers is barred under the doctrine of comity and/or extraterritoriality, and it dismissed the claims brought by the Madoff Trustee against a number of parties, including ASB. In March 2017, the Madoff Trustee filed an appeal (the Appeal) of the Memorandum Decision to the United States Court of Appeals for the Second Circuit, which reversed the Dismissal Order and remanded the matter to the Bankruptcy Court (the Second Circuit Opinion). In April 2019, the defendant-appellees, including ASB, filed, and the Second Circuit granted, a motion to stay the issuance of the mandate pending the filing of a petition for a writ of certiorari in the United States Supreme Court. The petition for a writ of certiorari was filed in the United States Supreme Court in August 2019. The mentioned petition was denied by the Supreme Court in June 2020. Therefore, the defense counsel will need to coordinate with Madoff Trustee´s counsel on a briefing schedule related to their pending motion to replead and request for limited discovery if that is still the desire of the Trustee. The Group believes that ASB has other defenses against the Madoff Trustee's claims alleged in the Madoff Complaint.

ii) Fairfield Liquidator Litigation -

In April 2012, Fairfield Sentry (In Liquidation) and its representative, Kenneth Krys (the Fairfield Liquidator), filed a complaint against ASB (the Fairfield Complaint) in the Bankruptcy Court (the Fairfield v. ASB Adversary Proceeding). The Fairfield Complaint seeks to recover US$115.2 million from ASB, representing the amount of ASB's redemptions of certain investments in Fairfield Sentry. These are essentially the same funds that the Madoff Trustee seeks to recover in the Madoff Trustee litigation described above. After the Fairfield Complaint was filed, the Bankruptcy Court procedurally consolidated the Fairfield V. ASB Adversary Proceeding with other adversary actions brought by the Fairfield Liquidator against former investors in Fairfield Sentry.

Similar to the Madoff Trustee litigation described above, the Fairfield V. ASB Adversary Proceeding and related adversary actions have been pending for many years. In October 2016, the Fairfield Liquidator filed a Motion for Leave to Amend (the Motion for Leave) various complaints, including the Fairfield Complaint. Certain defendants, including ASB, filed a motion to dismiss (the Motion to Dismiss) and a consolidated memorandum of law (i) in opposition to the Motion for Leave and (ii) in support of the Motion to Dismiss. In December 2018, the Bankruptcy Court entered a memorandum decision granting in part and denying in part the Motion to Dismiss and the Motion for Leave (the Memorandum Decision). In March 2019, the Fairfield Liquidator submitted a form of a stipulated order dismissing the adversary proceeding against ASB (the Dismissal Order), as directed by the Bankruptcy Court, but filed notices of appeal, including of the dismissal of the claims asserted against ASB and other defendants, in May 2019. The appeal remains pending.

The Group believes that ASB has substantial defenses against the Fairfield Liquidator's claims alleged in the Amended Complaint and the Fairfield Liquidator's appeal.

iii) Government Investigations -

The former Chairman and the current Vice Chairman of the Board of Directors of Credicorp, in their respective capacities as Chairman of the Board and as a director of BCP Stand-alone, were summoned as witnesses by Peruvian prosecutors, along with 26 other Peruvian business leaders, to testify in connection with a judicial investigation that is being carried out regarding contributions made to the electoral campaign of a political party in the 2011 Peruvian presidential elections. Our former Chairman testified on November 18, 2019, and our current Vice Chairman testified on December 9, 2019. The former Chairman informed prosecutors that in 2010 and 2011 Credicorp made donations totaling US$3.65 million to the Fujimori 2011 campaign (in total amounts of US$1.7 million in 2010 and US$1.95 million in 2011). These contributions were made in coordination with the General Manager of Credicorp at that time. While the amount of these contributions exceeded the limits then permitted under Peruvian electoral law, the law in place at that time provided no sanction for contributors, and instead only for the recipient of the campaign contribution.

In addition, the former Chairman informed prosecutors that in 2016, three subsidiaries of Credicorp (BCP Stand-alone, Mibanco and Grupo Pacifico) made donations totaling S/711,000 (approximately US$200,000) to the Peruanos Por el Kambio campaign. These contributions were made in compliance both with Peruvian electoral law and with Credicorp's own political contributions guidelines, adopted in 2015. These guidelines provided details on the procedures for obtaining approval for contributions and outlined the specific required conditions for transparent contributions.

The Peruvian Superintendencia del Mercado de Valores ('SMV' for its Spanish acronym) has initiated a sanctioning process against Credicorp, for not having disclosed to the market, in due course, the contributions made to political campaigns in the years 2011 and 2016. The Peruvian Superintendencia del Mercado de Valores (SMV) also has initiated a sanctioning process against three subsidiaries of Credicorp (BCP Stand-alone, Mibanco and Grupo Pacifico), for not having disclosed to the market, in due course, the contributions made to political campaigns in connection with the 2016 presidential elections. The SMV may impose pecuniary sanctions (fines) on Credicorp and these three subsidiaries as a consequence of these sanctioning processes.

Credicorp believes that neither the contributions disclosed by our former Chairman and our current Vice Chairman in recent months nor the related SMV sanctioning processes pose a significant risk of material liability to the Company. Furthermore, Credicorp does not believe that either will have material effect on the Company's business, financial position or profitability.

36 EVENTS OCURRED AFTER THE REPORT PERIOD

From July 1, 2020 until the date of this report, no significant event of a financial-accounting nature has occurred which affects the interpretation of the consolidated financial statements, except for the following paragraphs.

As of July 2020, the BCP announced the results of a buyback offer for two subordinated bonds. A total of US$294.6 million was repurchased from one of the Subordinated Bond outstanding amount for US$476.1 million maturing in 2026. A total of US$200.4 million were exchanged and a total of US$224.9 million was repurchased from the second Subordinated Bond outstanding amount for US$720.0 million maturing in 2027. As a result of the repurchase and exchange of bonds, Credicorp recognized in its Consolidated Income Statement an expense of approximately S/91.7 million.

The bonds issued have the option of repurchase in the year 2025 under the following conditions:

i. On July 1, 2025, BCP has the option to redeem all the bonds at a redemption price equal to 100% of the aggregate principal amount, otherwise, from that date it will pay a rate of fixed interest equal to the Treasury of the United States of America’s rate plus 300 basis points.

ii. After July 1, 2025, BCP may redeem all or part of the bonds at a redemption price equal to the greater of (1) 100% of the principal amount of the notes and (2) the sum of the remaining flows discounted at a discount rate equivalent to the Treasury of the United States of America’s rate plus 45 basis points.

At the same time, BCP issued a subordinated bond under the Medium-Term Bond Program for US$850.0 million at a semi-annual coupon rate of 3.125 percent, maturing in 2030.