CREDICORP LTD. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2020, AND DECEMBER 31, 2019
AND FOR THE THREE AND NINE-MONTH PERIODS
ENDED SEPTEMBER 30, 2020 AND 2019

Gaveglio Aparicio y Asociados Sociedad Civil de Responsabilidad Limitada.
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CREDICORP LTD. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2020 AND DECEMBER 31, 2019 AND FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019

CONTENT

US$ = United States dollar
S/ = Sol

Report on review of interim financial statements

To the Shareholders
Credicorp Ltd. and subsidiaries

November 30, 2020

We have reviewed the accompanying interim condensed consolidated statement of financial position of Credicorp Ltd. and subsidiaries (the Company) as at September 30, 2020 and the related interim condensed consolidated statements of income and comprehensive income for the three-month and nine-month periods then ended, changes in equity and cash flows for the nine-month period ended September 30, 2020, and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial statements in accordance with International Accounting Standard 34, 'Interim financial reporting'. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim financial reporting'.

Emphasis of Matter

We draw attention to Note 2 b) to the interim condensed consolidated financial statements, which describes that Credicorp Ltd. and subsidiaries has contemplated the potential impact that the COVID-19 could have on its operations and has considered its effect on the financial statements. The actions taken by the Company to mitigate these effects are described in the referred Note 2 b). Our conclusion is not modified in respect of this matter.

Gaveglio Aparicio y Asociados

Countersigned by

--(partner)
Carlos González González
Certified Public Accountant
Registration No. 50403

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CREDICORP LTD. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2020 (UNAUDITED) AND DECEMBER 31, 2019 (AUDITED)

	Note	As of September 30, 2020 S/(000)	As of December 31, 2019 S/(000)
Assets			
Cash and due from banks:			
Non-interest-bearing		6,916,416	6,177,356
Interest-bearing		28,221,543	19,809,406
	4	35,137,959	25,986,762
Cash collateral, reverse repurchase agreements and securities borrowing	5(a)	2,821,116	4,288,524
Investments:			
At fair value through profit or loss	6(a)	6,658,680	3,850,762
At fair value through other comprehensive income		38,919,694	24,614,050
At fair value through other comprehensive income pledged as collateral		1,793,137	1,588,673
	6(b)	40,712,831	26,202,723
Amortized cost		1,268,035	1,907,738
Amortized cost pledged as collateral		3,009,440	1,569,308
	6(c)	4,277,475	3,477,046
Loans, net:	7		
Loans, net of unearned income		136,148,711	115,609,679
Allowance for loan losses		(9,656,383)	(5,123,962)
		126,492,328	110,485,717
Financial assets designated at fair value through profit or loss	8	729,059	620,544
Premiums and other policies receivable	9(a)	801,480	838,731
Accounts receivable from reinsurers and coinsurers	9(b)	833,039	791,704
Property, furniture and equipment, net	10	1,359,122	1,428,173
Due from customers on acceptances		256,238	535,222
Intangible assets and goodwill, net	11	2,474,665	2,552,274
Right-of-use assets, net	12(a)	730,970	839,086
Deferred tax assets, net		1,744,347	520,953
Other assets	13	6,656,841	5,458,470
Total assets		231,686,150	187,876,691

	Note	As of September 30, 2020 S/(000)	As of December 31, 2019 S/(000)
Liabilities			
Deposits and obligations:	14		
Non-interest-bearing		45,680,396	28,316,170
Interest-bearing		91,522,278	83,689,215
		137,202,674	112,005,385
Payables from repurchase agreements and securities lending	5(b)	27,778,922	7,678,016
Due to banks and correspondents	15	6,601,722	8,841,732
Banker's acceptances outstanding		256,238	535,222
Accounts payable to reinsurers	9(b)	222,194	216,734
Lease liabilities	12(b)	777,543	847,504
Financial liabilities at fair value through profit or loss		352,889	493,700
Technical reserves for insurance claims and premiums	16	11,093,848	9,950,233
Bonds and notes issued	17	16,425,832	14,946,363
Deferred tax liabilities, net		117,233	134,204
Other liabilities	13	6,790,285	5,481,288
Total liabilities		207,619,380	161,130,381
Equity, net	18		
Equity attributable to Credicorp´s equity holders:			
Capital stock		1,318,993	1,318,993
Treasury stock		(209,305)	(207,839)
Capital surplus		157,767	226,037
Reserves		21,405,740	19,437,645
Other reserves		1,224,135	1,088,189
Retained earnings (losses)		(302,647)	4,374,935
		23,594,683	26,237,960
Non-controlling interest		472,087	508,350
Total equity, net		24,066,770	26,746,310
Total liabilities and net equity		231,686,150	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 NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019
(UNAUDITED)

		For the three-month periods ended September 30, (unaudited)		For the nine-month periods ended September 30, (unaudited)	
		2020 S/(000)	2019 S/(000)	2020 S/(000)	2019 S/(000)
Interest and similar income	22	2,953,570	3,123,672	8,844,548	9,208,969
Interest and similar expenses	22	(791,875)	(847,272)	(2,342,426)	(2,482,998)
Net interest, similar income and expenses		2,161,695	2,276,400	6,502,122	6,725,971
Provision for credit losses on loan portfolio	7(c)	(1,348,726)	(568,034)	(5,295,095)	(1,531,364)
Recoveries of written-off loans		42,821	65,262	107,252	197,087
Provision for credit losses on loan portfolio, net of recoveries		(1,305,905)	(502,772)	(5,187,843)	(1,334,277)
Net interest, similar income and expenses, after provision for credit losses on loan portfolio		855,790	1,773,628	1,314,279	5,391,694
Other income					
Commissions and fees	23	775,805	815,403	2,039,623	2,385,575
Net gain on foreign exchange transactions		155,028	188,073	471,319	554,854
Net gain on securities	24	147,202	172,269	341,262	422,065
Net gain (loss) on derivatives held for trading		(21,297)	2,158	22,491	(1,000)
Net gain from exchange differences		6,361	(11,775)	8,652	1,778
Others	29	39,498	133,128	192,464	323,757
Total other income		1,102,597	1,299,256	3,075,811	3,687,029
Insurance underwriting result					
Net premiums earned	25	595,394	604,877	1,775,391	1,773,665
Net claims incurred for life, general and health insurance contracts	26	(513,091)	(385,487)	(1,215,375)	(1,143,992)
Acquisition cost		(86,643)	(94,239)	(286,749)	(277,186)
Total insurance underwriting result		(4,340)	125,151	273,267	352,487
Other expenses					
Salaries and employee benefits	27	(803,438)	(845,345)	(2,520,619)	(2,525,497)
Administrative expenses	28	(588,994)	(570,290)	(1,636,715)	(1,661,100)
Depreciation and amortization		(124,510)	(114,533)	(373,035)	(329,711)
Goodwill impairment loss	11(b)	(63,978)	–	(63,978)	–
Depreciation for right-of-use assets		(43,724)	(50,662)	(138,386)	(125,472)
Others	29	(177,276)	(98,404)	(475,734)	(190,204)
Total other expenses		(1,801,920)	(1,679,234)	(5,208,467)	(4,831,984)

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

		For the three-month periods ended September 30, (unaudited)		For the nine-month periods ended September 30, (unaudited)	
		2020	**2019**	**2020**	**2019**
		S/(000)	**S/(000)**	**S/(000)**	**S/(000)**
Profit (loss) before income tax		152,127	1,518,801	(545,110)	4,599,226
Income tax		(55,539)	(403,221)	213,437	(1,239,852)
Net profit (loss)		96,588	1,115,580	(331,673)	3,359,374
Attributable to:					
Credicorp's equity holders		104,606	1,093,035	(306,510)	3,292,474
Non-controlling interest		(8,018)	22,545	(25,163)	66,900
		96,588	1,115,580	(331,673)	3,359,374
Net basic and dilutive earnings (losses) per share attributable to Credicorp's equity holders (in Soles):					
Basic	30	1.32	13.74	(3.86)	41.42
Diluted	30	1.32	13.71	(3.85)	41.34

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 NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019
(UNAUDITED)

	For the three-month periods ended September 30, (unaudited)		**For the nine-month periods ended September 30, (unaudited)**	
	2020 S/(000)	**2019 S/(000)**	**2020 S/(000)**	**2019 S/(000)**
Net profit (loss) for the period	96,588	1,115,580	(331,673)	3,359,374
Other comprehensive income:				
To be reclassified to profit or loss in subsequent periods:				
Net result on investments at fair value through other comprehensive income	84,498	296,081	32,195	1,110,525
Income tax	(858)	(4,438)	7,605	(22,779)
	83,640	291,643	39,800	1,087,746
Net movement on cash flow hedges	1,519	(956)	(18,522)	(27,243)
Income tax	(578)	193	4,902	7,415
	941	(763)	(13,620)	(19,828)
Other reserves	(61,019)	–	(123,911)	–
	(61,019)	–	(123,911)	–
Exchange differences on translation of foreign operations	58,569	50,035	148,184	(19,204)
	58,569	50,035	148,184	(19,204)
Total	82,131	340,915	50,453	1,048,714
Not to be reclassified to profit or loss in subsequent periods:				
Net gain in equity instruments designated at fair value through other comprehensive income	(10,322)	(34,890)	80,649	100,450
Income tax	565	2,072	4,895	3,628
	(9,757)	(32,818)	85,544	104,078
Total	(9,757)	(32,818)	85,544	104,078
Total other comprehensive income	72,374	308,097	135,997	1,152,792
Total comprehensive income for the period, net of income tax	168,962	1,423,677	(195,676)	4,512,166
Attributable to:				
Credicorp's equity holders	176,802	1,396,789	(170,564)	4,429,011
Non-controlling interest	(7,840)	26,888	(25,112)	83,155
	168,962	1,423,677	(195,676)	4,512,166

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

CREDICORP LTD. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET EQUITY
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 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	–	–	–	–	–	–	–	–	–	–	3,292,474	3,292,474	66,900	3,359,374
Other comprehensive income	–	–	–	–	–	104,084	1,071,043	(19,383)	–	(19,207)	–	1,136,537	16,255	1,152,792
Total comprehensive income	–	–	–	–	–	104,084	1,071,043	(19,383)	–	(19,207)	3,292,474	4,429,011	83,155	4,512,166
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	–	–	–	–	–	–	–	–	–	–	–	–	(52,709)	(52,709)
Additional dividends	–	–	–	–	(31,268)	–	–	–	–	–	(606,824)	(638,092)	–	(638,092)
Purchase of treasury stock, Note 18(b)	–	–	(1,814)	(101,411)	–	–	–	–	–	–	–	(103,225)	–	(103,225)
Share-based payment transactions	–	–	2,113	77,822	(9,187)	–	–	–	–	–	–	70,748	–	70,748
Others	–	(144)	–	–	–	–	–	–	–	–	(1,674)	(1,818)	2,227	409
Balances as of September 30, 2019	1,318,993	(204,497)	(3,342)	222,605	19,416,912	556,635	1,300,513	(22,544)	–	10,386	3,404,977	26,000,638	459,506	26,460,144
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	–	–	–	–	–	–	–	–	–	–	(306,510)	(306,510)	(25,163)	(331,673)
Other comprehensive income	–	–	–	–	–	85,749	37,229	(13,315)	(122,526)	148,809	–	135,946	51	135,997
Total comprehensive income	–	–	–	–	–	85,749	37,229	(13,315)	(122,526)	148,809	(306,510)	(170,564)	(25,112)	(195,676)
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	–	–	2,713	80,273	(8,996)	–	–	–	–	–	–	73,990	–	73,990
Others	–	(823)	–	–	–	–	–	–	–	–	(1,137)	(1,960)	21,122	19,162
Balances as of September 30, 2020	1,318,993	(205,211)	(4,094)	157,767	21,405,740	635,814	1,293,217	(43,419)	(781,017)	119,540	(302,647)	23,594,683	472,087	24,066,770

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 NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019 (UNAUDITED)

	Note	For the nine-month periods ended September 30,	
		2020	**2019**
		S/000	**S/000**
CASH AND CASH EQUIVALENTS FROM OPERATING ACTIVITIES			
Net (loss) profit for the period		(331,673)	3,359,374
Adjustment to reconcile net profit to net cash arising from operating activities:			
Provision for credit losses on loan portfolio	7(c)	5,295,095	1,531,364
Impact of fair value of portfolio with change in effective rate		233,451	–
Depreciation and amortization		373,035	329,711
Depreciation of right-of-use assets		138,386	125,472
Depreciation of investment properties	13(g)	5,069	5,001
Provision for sundry risks	29	89,053	14,466
Deferred (income) expense tax	19(b)	(1,187,577)	8,327
Adjustment of technical reserves	25(a)	447,684	556,764
Net gain on sale of securities	24	(341,262)	(422,065)
Impairment loss on goodwill		63,978	–
(Gain) on financial assets designated at fair value through profit and loss	25(a)	(41,601)	(58,933)
Net (gain) loss of trading derivatives		(22,491)	1,000
Net income from sale of property, furniture and equipment	29	(9,905)	(13,894)
Net (gain) loss from sale of seized and recovered assets	29	(3,575)	40,684
Expense for share-based payment transactions	27	72,331	89,596
Net gain from sale of written off portfolio		(33,564)	(98,614)
Others		21,484	1,018
Net changes in assets and liabilities			
Net (increase) decrease in assets:			
Loans		(18,672,863)	(2,849,887)
Investments at fair value through profit or loss		(2,525,121)	(171,896)
Investments at fair value through other comprehensive income		(13,561,663)	(131,583)
Cash collateral, reverse repurchase agreements and securities borrowings		1,709,610	189,682
Sale of written off portfolio		34,847	98,614
Other assets		(1,410,411)	(1,528,552)
Net increase (decrease) in liabilities			
Deposits and obligations		21,095,599	2,706,950
Due to banks and correspondents		(2,522,439)	161,929
Payables from repurchase agreements and securities lending		20,059,569	(1,735,026)
Bonds and notes issued		147,452	1,775,068
Short-term and low-value lease payments		(43,257)	(40,610)
Other liabilities		1,321,323	2,826,675
Income tax paid		(949,719)	(927,031)
Net cash flow from operating activities		9,450,845	5,843,604

	Note	For the nine-month periods ended September 30, 2020 S/000	2019 S/000
NET CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, furniture and equipment		22,836	24,918
Proceeds from sale and reimbursement of investment to amortized cost		2,173,304	2,437,706
Purchase of property, furniture and equipment		(47,591)	(92,055)
Purchase of investment property	13(e)	(10,024)	(19,855)
Purchase of intangible assets		(369,510)	(244,929)
Purchase of investment at amortized cost		(1,561,953)	(1,211,111)
Net cash flows from investing activities		207,062	894,674
NET CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	18(d)	(2,392,844)	(2,233,321)
Dividends paid to non-controlling interest of subsidiaries		(32,273)	(52,709)
Principal payments of leasing contracts		(133,837)	(93,466)
Interest payments of leasing contracts		(25,585)	(26,146)
Purchase of treasury stock	18(b)	(151,899)	(103,225)
Subordinated bonds		466,181	(88,009)
Net cash flows from financing activities		2,270,257	(2,596,876)
Net increase of cash and cash equivalents before effect of changes in exchange rate		7,387,650	4,141,402
Effect of changes in exchange rate of cash and cash equivalents		1,764,799	57,787
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		35,126,491	26,359,992
Additional information from cash flows			
Interest received		8,819,451	9,301,722
Interest paid		(2,385,139)	(2,409,196)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Reconciliation of liabilities arising from financing activities:

For the nine-month periods ended September 30, 2020	As of January 1, 2020	Changes that generate cash flows	Changes that do not generate cash flows		As of September 30, 2020
			Exchange difference	Others	
Subordinated bonds:					
Amortized cost	4,387,743	466,181	361,317	(97,538)	5,117,703
	4,387,743	466,181	361,317	(97,538)	5,117,703

For the nine-month periods ended September 30, 2019	As of January 1, 2019	Changes that generate cash flows	Changes that do not generate cash flows		As of September 30, 2019
			Exchange difference	Others	
Subordinated bonds:					
Amortized cost	5,424,401	(88,009)	14,825	8,082	5,359,299
	5,424,401	(88,009)	14,825	8,082	5,359,299

(*) Includes new issues and amortization of principal.

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

CREDICORP LTD. AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2020 AND DECEMBER 31, 2019 AND FOR THE THREE
AND NINE MONTH PERIODS ENDED SEPTEMBER 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 September 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 September 30, 2020 and for the nine-month periods ended September 30, 2020 were approved by the Management and the Board of Directors on October 29, 2020, except the note on subsequent events, which has been approved by Management on the date of issuance of the financial statements.

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 interim condensed consolidated financial statements.

Likewise, during the third 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 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, Bolivia, Chile and Panama) 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 the 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 dynamic regional quarantine based on the three risks levels (high, medium and low) until August 31, 2020. As of September 1, 2020, a new stage of normalization began with the restart of activities in sectors such as industry, commerce, agriculture, construction and mining.

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. Furthermore, the new president elected in October, Luis Arce, who will be in charge from November 08, announced a new money transfer of Bs 1,000 with a wide coverage and as soon as he assumes the presidency.

The economy sunk 26.6 percent year over year (hereinafter “y/y”) in April, the biggest contraction in record of the Global Index of Economic Activity (IGAE). The recovery begun in July ((7.5) percent y/y), however, the political turmoil due to the presidential elections (October) was a factor behind the contraction of 9.4 percent y/y in August. Therefore, in the first 8 months of 2020, the economy contracted 10.4 percent. In September, Fitch and Moody’s downgraded Bolivia’s long-term foreign currency rating from B+ to B due to the deterioration in the country's growth prospects and public finances (2019 public debt: 58.0 percent of GDP) amid acute political tensions.

In Colombia, the president established the state of emergency on March 23, 2020. The lockdown was extended until August 31, 2020. Sectors such as manufacturing and construction (which account for 10.0 percent of GDP) started operations by the end of April, moderating the economic impact. Also, several municipalities reopened due to the low transmission of COVID-19 cases. Therefore, the economy went from operating at a capacity of 35.0 percent to 40.0 percent during April, to 90.0 percent today. 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 exhibited 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. Fitch downgraded Colombia’s long-term foreign currency rating from BBB to BBB- with negative outlook in April. In addition, S&P also modified the outlook to negative from stable in March with a rating of BBB- when the pandemic began and recently (October 28) ratified the BBB- rating. However, they warned of a downgrade in 2021 if a severe public finance adjustment is not made.

To cope with the economic shock due to COVID-19, Colombia's government gradually implemented a series of 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. Even more, a credit program for enterprises equivalent to 8.0 per capita points of the GDP was launched. 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 250 basis points to 1.8%, a new minimum.

The current economic recession will be the second in Colombia's economic history. The economy hit its lowest point in April with a contraction of 20.1 percent y/y according to their Economic Activity Index (IMACO), and from there the recovery was steady until July. Over August and September, the economy slowed down due to a deceleration in retail sales as the government campaigns of special days without taxes (IVA) ended, and less impulse from the primary sectors. On the positive side, the government took advantage of the environment of low rates and held two global bond issuances of USD 2,500.0 million (0.8 percent of GDP) with a maturity of 11 and 31 years at minimum historical rates.

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. They also approved a 10.0 percent withdrawal from individual pension fund accounts. The Central Bank of Chile reduced its interest rate by cumulative125 basis points to 0.5 percent (the current technical minimum estimate) 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 took place on October 25, 2020. In a historic event, the Chilean population approved, with more than 78.0 percent of the votes, that a new Constitution will be written by a Constitutional convention formed by 155 Chileans exclusively selected for this purpose. The election of its members will take place on April 11, 2021. In the mid-term, a heavy political agenda, with presidential elections on November 21, 2021, could continue to derail an already weak investment and consumer confidence environment.

The economic impact of the pandemic has no precedent in Chile. The economy hit its low point in May with a contraction of 15.0 percent y/y and has recovered since then, although the pace has recently slowed. The monthly economic activity indicator (IMACEC) showed the economy fell 11.3 percent y/y in Aug-20, worse than the contraction in Jul-20 ((10.7) percent y/y) and below market expectations, a reminder that the recovery is still fragile. In particular, the mining sector negatively contributed with growth for the first time in 9 months. Recently, on October 15, Fitch downgraded Chile's long-term foreign currency rating from A to A- in response to a markedly deterioration of the fiscal accounts, with the debt to GDP ratio expected to increase to 34.0 percent of GDP in 2021 vs 28.0 percent in 2019.

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 (it was 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. Finally, on September 7, the reopening of the economy was restarted, authorizing sectors like construction and the Canal Free Zone to begin operating. Domestic flights were allowed on September 28 and international flights on October 12.

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, to finance a budget deficit of around 8.0 percent of GDP, Panama has secured funds from multilaterals (IMF, IADB, World Bank, and others) totaling around 2.6 percent of GDP and has been able to sell USD 5.3 billion worth of sovereign bonds on the international capital markets since March.

Panama has been one of the Latin American countries hardest hit by the pandemic due to the importance of the services sector, which represents more than 75.0 percent of GDP, and its reliance on external demand. The prolonged social distancing measures have also played an important role and the 2020 recession will be the worst since 1988. GDP fell 41.0 percent y/y in May (the latest official data available). High frequency indicators for August like tolls from the Panama Canal and government tax revenues present a mixed picture, with the former – related to the global economic recovery - falling just 2.0 percent y/y ((10) percent y/y in May-Jun) while the latter contracting 38.0 percent y/y ((54) percent y/y in May-Jun). Next year, the recovery will be supported by the global economic rebound, big infrastructure projects and the first full year of copper production of Minera Cobre Panama. However, a ballooning public debt (ratio as a percentage of GDP will increase from 41.0 percent in 2019 to 60.0 percent in 2021), and setbacks in exiting the FATF grey list cloud the outlook. Moody's, on October 20, changed its credit rating outlook to negative (Baa1) which makes a downgrade within 12 months possible given that all three credit rating agencies have Panama with a negative outlook.

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 until June 30th. Throughout the third quarter of 2020 the government decreed targeted quarantines which have been gradually lifted. Importantly, even in regions were the quarantines were lifted, social mobility restrictions continued throughout weekdays. The latest rulings state that mobility is prohibited from 11:00 pm until 4:00 am from Monday to Sunday. Currently, the national emergency state is, by decree, expected to remain 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. Phase 3 of economic reactivation started on July was gradually implemented throughout the third quarter. Lastly, Phase 4 started on October after initially being delayed.

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. 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 show a notable recovery during the third quarter of 2020, which has translated into lower levels of economic contraction. As such, economic activity fell 9.8 percent y/y in August after falling 11.7 percent y/y in July and 18.1 percent y/y in June. The most recent economic activity indicators show that the recovery continues in September 2020:

i) Electricity demand fell 2.0 percent y/y (August 2020: (3.0) percent).

ii) Total cement dispatchment increased 10.0 percent y/y (August 2020: (0.3) percent); and

iii) Public investment from the general government contracted 5.0 percent y/y in real terms (August 2020: (25.0) percent).

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.

As of October 20th, as part of the second phase of the program, repurchase credit agreements with the Guarantee of the National Government were issued for S/ 25.3 billion, at an average interest rate of 1.7 percent.

- 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 26.4 percent, 29.1 percent and 51.1 percent respectively at the end of September 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 rebounded quickly from the steep fall during March and April. The global equity index MSCI closed stable the third quarter of 2020 in terms of YTD but increased almost 50.0 percent from its March lows, with equity markets in the United States reaching historical highs at the beginning of Sep-20. 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 bonds 2029's yield decreased from 5.8 percent in mid-March to 3.8 percent by end-June. Furthermore, the yield spread between Sovereign bonds 2029 and the 10-year US Treasury also narrowed from 461 basis points in mid-March to 313 basis points by the end of June. During the third quarter of 2020 local assets continued to post gains. As such, Sovereign bonds 2029's yield decreased another 28 basis points during the quarter and stood at 3.5 percent by end-September. In additional, the yield spread between Sovereign bonds 2029 and the 10-year US Treasury narrowed another 30 basis points, and it stood at 283 basis points by end-September

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 about its recovery, as a result of COVID-19, may increase market risk by generating fluctuations in market prices and loss of liquidity of financial instruments, which can have an adverse impact on our investment. briefcase.

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. Nonetheless, this risk has been considerably mitigated amid the measures implemented by the Central Bank in order to provide liquidity through the Reactiva Peru program.

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 September 30, 2020, and for the nine-month periods ended September 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 September 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 nine-month periods ended September 30,**	
		As of September 30, 2020	**As of December 31, 2019**	**As of September 30, 2020**	**As of December 31, 2019**	**As of September 30, 2020**	**As of December 31, 2019**	**As of September 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	205,246,189	165,072,249	185,224,636	142,514,228	20,021,553	22,558,021	(357,307)	2,720,883
Pacífico Compañía de Seguros y Reaseguros S.A and Subsidiaries (ii)	Insurance, Peru	98.79	98.79	15,097,521	13,783,515	12,256,159	10,963,533	2,841,362	2,819,982	186,018	266,371
Atlantic Security Holding Corporation and Subsidiaries (iii)	Capital Markets, Cayman Islands	100.00	100.00	9,187,360	6,076,928	8,044,013	4,986,657	1,143,347	1,090,271	453,692	567,005
Credicorp Capital Ltd. and Subsidiaries (iv)	Capital Markets and asset management, Bermuda	100.00	100.00	4,307,178	4,807,905	3,460,530	3,832,287	846,648	975,618	(66,058)	39,724
CCR Inc.(v)	Special purpose Entity, Bahamas	100.00	100.00	298,150	386,146	296,753	385,253	1,397	893	504	1,328

(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 nine-month periods ended September 30,**	
		As of September 30, 2020	**As of December 31, 2019**	**As of September 30, 2020**	**As of December 31, 2019**	**As of September 30, 2020**	**As of December 31, 2019**	**As of September 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	191,422,512	152,426,848	174,088,353	133,456,760	17,334,159	18,970,088	(366,931)	2,796,777
Inversiones Credicorp Bolivia S.A. and Subsidiaries (b)	Banking, Bolivia	99.96	99.96	11,770,905	10,552,154	11,051,130	9,773,372	719,775	778,782	(47,483)	77,355
Prima AFP (c)	Private pension fund administrator, Peru	100.00	100.00	1,015,828	982,591	379,394	284,643	636,434	697,948	85,190	149,761
Krealo SpA and Subsidiaries (d)	Holding, Chile	100.00	100.00	91,513	72,847	17,691	41,765	73,822	31,082	(11,439)	(915)

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 September 30, 2020, the assets, liabilities, equity and net result of Mibanco amount to approximately S/14,557.3 million, S/12,870.3 million, S/1,687.0 million and S/(402.3) 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 September 30, 2020, the assets, liabilities, equity and net result of BCB were approximately S/11,725.9 million, S/11,041.9 million, S/684.0 million and S/(53.5) 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 interim condensed 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 nine-month periods ended September 30,	
	As of September 30, 2020	As of December 31, 2019	As of September 30, 2020	As of December 31, 2019	As of September 30, 2020	As of December 31, 2019	As of September 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	3,017,201	3,400,683	2,451,994	2,692,520	565,207	708,163	(58,007)	17,142
Credicorp Capital Holding Chile and Subsidiaries (b)	100.00	100.00	1,036,374	1,161,991	869,894	1,017,072	166,480	144,919	(2,199)	588
Credicorp Capital Holding Perú S.A. and Subsidiaries (c)	100.00	100.00	221,741	228,421	112,798	114,913	108,943	113,508	16,993	21,790

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 September 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 September 30, 2020	**As of December 31, 2019**
	S/(000)	**S/(000)**
Cash and clearing (b)	5,009,758	4,917,674
Deposits with Central Reserve Bank of Peru (BCRP) (b)	25,953,030	18,367,651
Deposits with Central Bank of Bolivia (b)	774,248	646,865
Deposits with Republic Bank of Colombia (b)	3,157	5,714
Deposits with foreign banks (c)	2,475,423	1,402,403
Deposits with local banks (c)	906,737	481,412
Interbank funds	2,031	137,722
Accrued interest	2,107	14,601
Total cash and cash equivalents	35,126,491	25,974,042
Restricted funds	11,468	12,720
Total cash	35,137,959	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 Banks -

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

	As of September 30, 2020	As of December 31, 2019
	S/(000)	S/(000)
Legal cash requirements (i)		
Deposits with Central Reserve Bank of Peru	15,773,920	13,727,222
Deposits with Central Bank of Bolivia	774,248	646,865
Deposits with Republic Bank of Colombia	3,157	5,714
Cash in vaults of Bank	4,005,807	4,132,347
Total legal cash requirements	20,557,132	18,512,148
Additional funds		
Overnight deposits with Central Reserve Bank of Peru (ii)	5,698,110	4,640,429
Term deposits with Central Reserve Bank of Peru (iii)	4,481,000	–
Cash in vaults of Bank and others	1,003,951	785,327
Total additional funds	11,183,061	5,425,756
Total	31,740,193	23,937,904

(i) As of September 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 34.77 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 September 30, 2020, the Group maintains three "overnight" deposits with the BCRP, of which are two denominated in soles in amount of S/482.5 million and one in U.S Dollars in amount of US$1,450.0 million, equivalent to S/5,215.7 million. At said date, the deposit in soles and deposits in U.S Dollars accrue interest at annual rates of 0.15 percent and 0.08 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 credit repurchase agreement with a National Government Guarantee represented in securities, and in view of the BCRP's offer of profitable rates for short-term deposits. The Group maintains fourteen term deposits, which are denominated in soles. As of that date, the deposits accrue interest at an annual rate of 0.25 percent and have maturities between October 1 and 7, 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 September 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 September 30, 2020	As of December 31, 2019
	S/(000)	S/(000)
Cash collateral on repurchase agreements and security lendings (i)	1,913,196	3,293,837
Reverse repurchase agreement and security borrowings	877,048	899,435
Receivables for short sales	30,872	95,252
Total	2,821,116	4,288,524

(i) As of September 30, 2020, the balance mainly comprises cash collateral for approximately US$331.4 million, equivalent to S/1,192.2 million, delivered to BCRP to secure a borrowing in soles of approximately S/1,140 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 September 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)			109,586	79,260	26,485,486	26,674,332	30,461,791		64,900	25,699	6,240,866	6,331,465	6,709,182
Instruments issued by the Colombian Government	Colombian pesos	6.11	920,906	30,299	–	951,205	952,102	5.49	135,997	941,431	–	1,077,428	1,077,917
Instruments issued by the Chilean Government	Chilean pesos	0.04	120,121	–	–	120,121	120,121	0.20	130,551	44,411	–	174,962	175,054
Other instruments		2.22	33,264	–	–	33,264	33,253	2.07	70,997	16,809	6,355	94,161	105,086
			1,183,877	109,559	26,485,486	27,778,922	31,567,267		402,445	1,028,350	6,247,221	7,678,016	8,067,239

c) As of September 30, 2020 and December 31, 2019, the Group has repurchase agreements secured with: (i) cash, see Note 5(a), (ii) investments, see Note 6(b) and Credits from the Reactiva Peru Program, see Note 7(a). This item consists of the following:

		As of September 30, 2020			As of December 31, 2019		
Counterparties	**Currency**	**Maturity**	**Carrying amount**	**Collateral**	**Maturity**	**Carrying amount**	**Collateral**
			S/(000)			**S/(000)**	
BCRP - Reactiva Perú (*)	Soles	May 2023 / October 2023	20,242,864	Credits	–	–	–
BCRP	Soles	October 2020 / July 2024	3,874,021	Investments	June 2020 / November 2020	1,504,088	Investments
BCRP, nota 5(a)(i)	Soles	October 2020 / March 2023	1,140,000	Cash with BCRP	February 2020 / October 2020	2,800,400	Cash with BCRP
Banco Central de Bolivia	Bolivianos	February 2021 / December 2022	600,278	Cash	May 2020 / February 2021	398,586	Cash
Natixis S.A.	Soles	August 2028	270,000	Investments	August 2020 / August 2028	570,000	Investments
Citigroup Global Markets	U.S. Dollar	August 2026	161,865	Investments	August 2026	149,130	Investments
Banco de la República de Colombia	Colombian pesos	October 2020	107,886	Investments	January 2020	64,540	Investments
Natixis S.A.	U.S. Dollar	August 2026	89,925	Investments	August 2026	82,850	Investments
Banco de la República de Colombia	Colombian pesos	October 2020	40,274	Investments	-	–	–
Naitixis S.A.	U.S. Dollar	October 2020	37,861	Investments	-	–	–
Nomura International PLC	U.S. Dollar	-	–	-	August 2020	265,120	Investments and cash
Nomura International PLC	U.S. Dollar	-	–	-	August 2020	231,980	Investments and cash
Citigroup Global Markets Limited	Soles	-	–	-	August 2020	100,000	Investments
Others below S/18.0 million	-	October 2020 / July 2035	17,229	Investments	January 2020 / April 2033	64,970	Investments
Accrued interest			92,129			99,801	
			26,674,332			6,331,465	

(*) 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).

As of September 30, 2020, the repurchase agreements secured with investments accrue interest at fixed and variable rates between 0.40 percent and 6.73 percent and between Libor 6M + 0.925 percent and Libor 6M + 1.90 percent, respectively, (between 2.60 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 September 30, 2020	As of December 31, 2019
	S/(000)	S/(000)
Mutual funds (i)	1,639,623	593,552
Certificates of deposit BCRP (ii)	1,606,235	–
Government treasury bonds (iii)	1,597,034	1,276,573
Restricted mutual funds (iv)	436,059	460,086
Investment funds	303,674	327,659
Corporate bonds	303,194	326,673
Participation in RAL Funds (v)	262,808	300,398
Shares (vi)	259,441	83,085
Hedge funds (vii)	85,045	33,640
Subordinated bonds	75,359	80,084
Multilateral organization bonds	20,154	53,353
Central Bank of Chile bonds	13,757	182,540
Royalty Pharma (viii)	5,603	68,584
Others (ix)	42,710	59,564
Balance before accrued interest	6,650,696	3,845,791
Accrued interest	7,984	4,971
Total	6,658,680	3,850,762

(i) The increase in the balance corresponds mainly to the purchase of new participations in the funds “Pictet Short Term Money Market USD”, “BNP Paribas Insticash USD 1D Short Term VNAV Classic Cap”, “Credicorp Capital Latin American Corporate Debt Fund” and “Credicorp Capital Latin American Investment Grade Fund”, whose balances as of 30 September, 2020, are S/503.7 million, S/345.4 million, S/124.1 million and S/93.4 million, respectively. Likewise, the balance was affected by the cancellation and fluctuation of other minor funds.

(ii) As of September 30, 2020, the balance corresponds to 4,468 certificates of deposit for US$446.55 million, equivalent to S/1,606.2 million, whose interest rates are from 0.25 percent to 0.28 percent, and with maturity from October to December 2020. The variation corresponds to the purchase of instruments issued through public auction by BCRP from July to September as part of an exchange operation in order to regulate the liquidity of the financial system.

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

	As of September 30, 2020	As of December 31, 2019
	S/(000)	S/(000)
Colombian Treasury bonds	1,078,674	1,102,865
Peruvian Treasury bonds	244,506	95,308
Chile Treasury bonds	145,850	–
Mexico Treasury bonds	50,170	–
Brasil Treasury bonds	36,771	–
U.S. treasury and federal agency bonds	27,558	78,400
Panama Treasury bonds	13,505	–
Total	1,597,034	1,276,573

(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 September 30, 2020, these funds are approximately S/160.4 million in bolivianos and S/102.4 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 viii). As of September 30, 2020, the balance includes 972,115 new shares of Royalty Pharma plc for US$40.9 million, equivalent to S/147.1 million.

(vii) The net increase of the balance corresponds mainly to the purchase of new participations in hedge funds, denominated mainly in Colombian pesos.

(viii) 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 September 30, 2020, the balance corresponds to 7,594 participations for approximately US$1.55 million equivalent to S/5.6 million (as of December 31, 2019, 112,187 participations for US$20.7 million equivalent to S/68.6 million).

During the nine-month periods ended September 30, 2020 and 2019, the Group has received dividends from these participations for S/0.04 million and S/1.1 million respectively; which are presented in the item of “Interest and similar income” of the interim condensed consolidated statement of income.

(ix) The net decrease of the balance corresponds to the effect of the following: (i) a lower investment in negotiable certificates of deposit for approximately S/23.6 million, and (ii) greater investment in other minor instruments por approximately S/6.7 million.

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

	As of September 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)	10,790,310	910,576	(76,540)	11,624,346	7,974,080	706,394	(8,322)	8,672,152
Certificates of deposit BCRP (ii)	14,392,290	34,379	(13)	14,426,656	8,649,885	15,388	(1)	8,665,272
Government treasury bonds (iii)	11,078,928	757,703	(47,056)	11,789,575	6,009,137	690,048	(1,109)	6,698,076
Securitization instruments (iv)	718,434	69,931	(11,097)	777,268	580,778	53,328	(8,344)	625,762
Negotiable certificates of deposit	946,407	16,350	(1,745)	961,012	369,016	856	(303)	369,569
Subordinated bonds	160,104	17,192	(360)	176,936	150,172	14,085	(100)	164,157
Others	169,948	12,131	(517)	181,562	167,529	7,896	-	175,425
	38,256,421	1,818,262	(137,328)	39,937,355	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	168,132	–	280,779	112,647	195,305	-	307,952
Bolsa de Valores de Lima	19,423	4,038	–	23,461	19,423	2,115	-	21,538
Alicorp S.A.A.	12,198	166,017	–	178,215	12,198	201,567	-	213,765
Bolsa de Comercio de Santiago	5,714	4,605	–	10,319	4,964	5,688	-	10,652
Compañía Universal Textil S.A.	9,597	–	(3,184)	6,413	9,597	248	(3,432)	6,413
Pagos Digitales Peruanos S.A.	5,197	–	(5,197)	–	5,197	-	-	5,197
Bolsa de Valores de Colombia	3,527	1,242	(54)	4,715	872	4,070	(53)	4,889
Corporación Andina de Fomento	4,441	268	–	4,709	4,441	181	-	4,622
Others	2,792	1,656	(2)	4,446	2,638	1,533	-	4,171
	175,536	345,958	(8,437)	513,057	171,977	410,707	(3,485)	579,199
Balance before accrued interest	38,431,957	2,164,220	(145,765)	40,450,412	24,072,574	1,898,702	(21,664)	25,949,612
Accrued interest				262,419				253,111
Total				40,712,831				26,202,723

The Management of Credicorp has determined that the unrealized losses on investment at fair value through other comprehensive income as of September 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 September 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/36.2 million (provision of credit loss of S/0.6 million during the nine-month periods ended September 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 September 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 September 30, 2020 and December 31, 2019, are as follows:

	Maturities		**Annual effective interest rate**											
	As of September 30, 2020	**As of December 31, 2019**	**As of September 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 (*)	Oct-2020 / Jul-2070	Jan-2020 / Feb-2065	(0.25)	13.94	0.15	12.31	1.29	6.25	1.09	8.16	0.47	8.25	0.62	6.55
Certificates of deposit BCRP	Oct-2020 / Mar-2023	Jan-2020 / Jul-2021	0.25	0.71	–	–	–	–	2.02	2.35	-	-	-	-
Government treasury bonds (**)	Oct-2020 / Apr-2120	Jan-2020 / Feb-2055	(0.51)	5.55	0.05	5.68	0.07	0.94	0.55	5.31	1.11	4.61	0.43	0.82
Securitization instruments	Nov-2020 / Sep-2045	May-2020 / Sep-2045	2.02	12.14	1.97	8.38	1.68	6.00	2.46	13.26	3.08	9.14	1.68	6.00
Negotiable certificates of deposits	Oct-2020 / Dec-2026	Jan-2020 / Dec-2026	2.73	2.73	0.65	2.68	0.05	5.00	3.27	4.01	2.48	2.68	1.00	4.98
Subordinated bonds	Apr-2022 / Aug-2045	Apr-2022 / Aug-2045	0.33	5.23	0.58	5.54	–	–	1.21	5.52	3.27	5.23	1.53	1.53
Others	Oct-2020 / Feb-2035	Jan-2020 / Jan-2028	0.07	6.47	3.54	4.80	–	–	1.95	3.73	4.73	6.92	-	-

(*) As of September 30, 2020, the annual effective interest rates of (0.25) percent and 13.94 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 0.63 percent to 11.69 percent.

(**) As of September 30, 2020, the annual effective interest rate of (0.51) percent correspond to a bond issued by the Peruvian Treasury; excluding such interest rate, the range starts from 0.63 percent.

The negative rates correspond to bonds, whose nominal value is subject to a daily readjustment index for inflation determined by the BCRP. Said negative rates correspond to the market behavior in the face of the decrease in the BCRP's reference interest rate.

Likewise, as of September 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/1,793.1 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 September 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) education, healthy and services others, (ii) financial services, and (iii) electricity, gas and water, amounting to S/48.3 million, S/10.0 million and S/9.3 million, respectively; generated mainly by Peruvian, Colombian and United States issuers for S/59.2 million, S/2.6 million and S/1.6 million, respectively.

(ii) As of September 30, 2020, the Group maintains 144,411 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 September 30, 2020 and December 31, 2019, the balance includes the following Government Treasury Bonds:

	As of September 30, 2020	**As of December 31, 2019**
	S/(000)	**S/(000)**
Peruvian treasury bonds	10,071,801	5,959,066
U.S. treasury and federal agency bonds (*)	1,458,722	391,475
Chilean treasury bonds	79,919	173,364
Bolivian treasury bonds	67,448	72,516
Colombian treasury bonds	67,252	61,009
Others	44,433	40,646
Total	11,789,575	6,698,076

(*) The balance includes new bonds issued by Treasury Bill for US$402.5 million, equivalent to S/1,447.7 million, which accrue annual effective interest from 0.05 percent to 1.83 percent, and have maturities from October 2020 to August 2030.

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

	As of September 30, 2020	**As of December 31, 2019**
	S/(000)	**S/(000)**
Inmuebles Panamericana	171,741	169,959
Abengoa Transmisión del Norte	97,638	87,377
Colegios Peruanos S.A.	69,676	37,585
Costa de Sol S.A.	53,699	–
Nessus Hoteles Perú S.A.	43,517	39,768
Industrias de Aceite S.A.	43,213	32,050
Fábrica Nacional de Cemento S.A.	33,811	31,512
Homecenters Peruanos S.A.	33,049	35,269
Concesionaria La Chira S.A.	31,055	30,801
Others (minor than S/30 million)	199,869	161,441
Total	777,268	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 September 30, 2020	
	Carrying amount	Fair value
	S/(000)	S/(000)
Peruvian sovereign bonds (i)	4,126,646	4,545,996
Foreign government bonds (i)	26,102	26,102
Certificates of payment on work progress (CRPAO) (ii)	93,667	98,148
Sub total	4,246,415	4,670,246
Accrued interest	31,696	31,696
Total investments at amortized cost	4,278,111	4,701,942
Provision for credit losses	(636)	(636)
Total investments at amortized cost, net	4,277,475	4,701,306

	As of December 31, 2019	
	Carrying amount	Fair value
	S/(000)	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

(i) As of September 30, 2020, said bonds have maturities between October 2020 and February 2042, accruing interest at an annual effective interest rate between 0.63 percent and 5.54 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 September 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 September 30, 2020, the Group has repurchased agreement transactions for investments at amortized cost for an estimated fair value of S/3,009.4 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 September 30, 2020, there are 129 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 October 2020 and April 2026, accruing interest at an annual effective rate between 2.62 percent and 3.72 percent as of September 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 September 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	1,733,597	11,330,185	12,776
From 3 months to 1 year	249,807	5,037,881	38,176
From 1 to 3 years	693,533	3,176,114	164,073
From 3 to 5 years	225,050	3,244,301	635,694
More than 5 years	1,043,598	17,148,874	3,395,696
Without maturity	2,705,111	513,057	–
Total	6,650,696	40,450,412	4,246,415

	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 September 30, 2020	As of December 31, 2019
	S/(000)	S/(000)
Direct loans -		
Loans	114,715,200	91,481,200
Credit cards	6,119,616	8,479,355
Leasing receivables	5,868,183	5,978,421
Factoring receivables	1,560,120	2,015,513
Discounted notes	1,212,334	2,200,142
Advances and overdrafts in current account	115,915	162,149
Refinanced loans	1,545,040	1,186,167
Restructured loans	–	125
Total direct loans	131,136,408	111,503,072
Internal overdue loans and under legal collection loans	4,151,322	3,304,886
	135,287,730	114,807,958
Add (less) -		
Accrued interest	1,130,664	870,410
Unearned interest	(269,683)	(68,689)
Total direct loans	136,148,711	115,609,679
Allowance for loan losses (c)	(9,656,383)	(5,123,962)
Total direct loans, net	126,492,328	110,485,717

The increase of the credits, accrued interest and unearned interest as of September 30, 2020 compared to December 31, 2019, is mainly due to the credits from the Reactiva Peru program and Effective Credits disbursed between the months of May to September 2020. The total granted through this program as of September 2020 is S/23,888 million. See more details of the Reactiva Peru 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 a total of S/110.6 million and S/274.7 million for FAE-MYPE 1 and FAE-MYPE 2, respectively as of September 2020. 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 September 2020, the rescheduled portfolio amounts to a total of S/33,984 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 32.0 percent, 33.0 percent and 51.0 percent respectively at the end of September of 2020.

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

	As of September 30, 2020	**As of December 31, 2019**
	S/(000)	**S/(000)**
Direct loans	135,287,730	114,807,958
Indirect loans, Note 21(a)	18,519,960	21,081,035
Banker's acceptances outstanding	256,238	535,222
Total	154,063,928	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 September 30, 2020**	**As of December 31, 2019**	**As of September 30, 2020**	**As of December 31, 2019**
	S/000	**S/000**	**S/000**	**S/000**
Stage 1				
Commercial loans	83,588,313	75,838,248	651,781	388,685
Residential mortgage loans	17,549,470	17,903,028	109,445	38,085
Micro-business loans	13,155,158	13,782,323	532,757	425,642
Consumer loans	9,446,344	12,222,858	619,391	248,355
Total	123,739,285	119,746,457	1,913,374	1,100,767
Stage 2				
Commercial loans	8,029,610	4,883,039	653,135	166,135
Residential mortgage loans	1,310,242	778,702	135,613	25,684
Micro-business loans	8,071,881	1,839,597	1,471,429	249,960
Consumer loans	2,998,540	2,210,504	1,099,056	513,431
Total	20,410,273	9,711,842	3,359,233	955,210

Loans by class	Direct and indirect loans		Allowance for loan losses of direct and indirect loans	
	As of September 30, 2020	As of December 31, 2019	As of September 30, 2020	As of December 31, 2019
	S/000	S/000	S/000	S/000
Stage 3				
Commercial loans	5,960,616	3,771,417	1,940,939	1,315,227
Residential mortgage loans	1,112,445	994,991	607,330	472,711
Micro-business loans	1,634,838	1,350,858	1,256,219	960,885
Consumer loans	1,206,471	848,650	1,082,495	702,959
Total	9,914,370	6,965,916	4,886,983	3,451,782
Consolidated 3 Stages				
Commercial loans	97,578,539	84,492,704	3,245,855	1,870,047
Residential mortgage loans	19,972,157	19,676,721	852,388	536,480
Micro-business loans	22,861,877	16,972,778	3,260,405	1,636,487
Consumer loans	13,651,355	15,282,012	2,800,942	1,464,745
Total	154,063,928	136,424,215	10,159,590	5,507,759

During the third quarter of the 2020, Credicorp's stock of provisions increased significantly compared to the stock as of December 31, 2019, due to the projected effects related to COVID-19, although to a lesser extent (%) than the recognition made in the second quarter of the 2020. This lower provision requirement compared to the previous quarter was originated by the end of the confinement and the progressive economic reactivation observed in the early indicators.

Among the main methodological adjustments in internal credit risk models are:

- Internal models were reviewed, and upgrades were carried out using representative and updated COVID-19 impact customer surveys, using updated information on customer transaction after confinement. This made it possible to characterize the different types of clients in order to assign them the corresponding level of risk in a granular manner and in line with the first observed indicators of early payment of the transactions and portfolio maturities (real data observed that complements the assumptions used).

- LGD (Loss Given Default) estimates were adjusted with updated information on assumptions, recovery costs and payments from clients in arrears, in order to collect the impact of COVID-19 on recoveries, which have been affected by delays in lawsuits, deterioration in the value of guarantees and increased penalties.

- Likewise, and as in the previous quarter, the macroeconomic projections were updated, collecting a better expectation for 2021, although it is noted that these projections are not expected to recover the absolute levels of the pre-Covid-19 context yet.

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 nine-month periods ended September 30,	
	2020	2019
	S/(000)	S/(000)
Balance at beginning of period	5,507,759	5,314,531
Provision for credit losses on loan	5,295,095	1,531,364
Written-offs loans	(674,330)	(1,303,702)
Exchange differences and others (*)	31,066	(161,632)
Balance ended of period (**)	10,159,590	5,380,561

(*) The variation of the item for the first nine-months of 2020 with respect to the first nine-months 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 (3.597 as of September 2020 and 3.383 as of September 2019, respectively).

(**) The movement in the allowance for loan losses for the nine-month periods ended September 30, 2020 includes the allowance for direct and indirect loans for approximately S/9,656.4 million and S/503.2 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 September 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 September 30, 2020 and December 31, 2019 by maturity based on the remaining period to the payment due date:

	As of September 30, 2020	As of December 31, 2019
	S/(000)	S/(000)
Outstanding loans -		
Up to 1 year	50,779,822	53,306,936
From 1 to 3 years	39,532,331	24,586,441
From 3 to 5 years	12,327,189	9,615,514
More than 5 years	28,497,066	23,994,181
	131,136,408	111,503,072
Internal overdue loans and under legal collection loans	4,151,322	3,304,886
Total	135,287,730	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 September 30, 2020	As of December 31, 2019
	S/(000)	S/(000)
Net profit on sale of financial investments	24,595	21,879
Changes in the fair value of financial assets	10,598	58,351
Dividends, interests and others	6,407	13,434
Total	41,600	93,664

During the third quarter of the year, financial markets continued to recover from the fall in the first quarter of the year, mainly due to stimulus from governments and central banks.

In the previous quarter, a large part of the Investment Link performance comes from equities which has a recovery of almost 8-9% and has been seen in third quarter (lower recovery than in second quarter). In this year, the Covid-19 crisis and the fall in financial markets reduced the returns of the main assets, however, towards the end of the year, the recovery of Investment Link is expected to continue.

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 September 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/801.5 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 September 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	178,940	321,375
Reserve risk in progress of premiums ceded, Note 25(a)(**)	(46,815)	(14,935)
Premiums assumed	–	668
Settled claims of premiums ceded by reinsurance contracts	(81,049)	(226,769)
Collections and others, net	(9,741)	(130,678)
Balances at the end of the period	833,039	791,704

Accounts receivable as of September 30, 2020 and December 31, 2019, include S/182.0 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 September 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)(**)	183,034	254,839
Premiums ceded to reinsurers in facultative contracts, Note 25(a)(**)	169,076	289,386
Coinsurance granted	1,740	4,332
Payments and other, net	(348,390)	(623,516)
Balances at the end of the period	222,194	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 September 30, 2020 and December 31, 2019 was as follows:

	As of September 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	400,914	–	400,914	401,553	–	401,553
Buildings and other	1,166,017	(681,201)	484,816	1,156,252	(657,690)	498,562
Installations	676,103	(501,456)	174,647	653,728	(478,294)	175,434
Furniture and fixtures	480,808	(327,406)	153,402	479,748	(308,020)	171,728
Computer hardware	652,629	(578,996)	73,633	635,203	(552,023)	83,180
Vehicles and equipment	115,120	(92,113)	23,007	116,625	(88,277)	28,348
Work in progress	48,703	–	48,703	69,368	–	69,368
Total	3,540,294	(2,181,172)	1,359,122	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 nine-month periods ended September 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 September 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 September 30, 2020 and December 31, 2019 was as follows:

	As of September 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	379,184	(265,329)	113,855	378,896	(243,951)	134,945
Brand name	171,864	(44,958)	126,906	193,247	(60,643)	132,604
Fund manager contract	92,417	(16,069)	76,348	94,143	(12,441)	81,702
Relationships with holders	21,100	(21,100)	–	21,100	(20,219)	881
Software and developments	2,928,363	(2,002,185)	926,178	2,704,561	(1,774,183)	930,378
Intangible in progress	420,324	–	420,324	363,347	–	363,347
Other (i)	52,963	(32,244)	20,719	49,695	(27,287)	22,408
	4,066,215	(2,381,885)	1,684,330	3,804,989	(2,138,724)	1,666,265

(i) As of September 30, 2020, it includes mainly the net amortization balance of the anti-competition agreements of the acquisitions of Ultraserfinco S.A. and of Banco Compartir S.A. for S/4.4 million and S/5.2 million, respectively (as of December 31, 2019, S/7.0 million and S/5.6 million, respectively). Likewise, it includes the net amortization balance of the Contract Paybal and brands Recharge from the acquisition of Tenpo Prepago S.A. for S/5.9 million and S/2.6 million, respectively (as of December 31, 2019, S/6.4 million and S/2.6 million, respectively).

In the nine-month periods ended September 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 September 30, 2020 and December 31, 2019, the net book balance amounted to S/790.7 million and S/886.0 million, respectively.

As of September 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 impairment at said date for Bancompartir (acquired in December 2019).

The recoverable amount of the Bancompartir has been determined based on value in use calculations, determined by discounting the future cash flows expected to be generated from the continuing use of the CGU. As, the key assumptions used for value in use calculations in September of 2020 are Terminal value growth rate 5.0 percent and Discount rate 13.2 percent.

Five or ten years of cash flows, depending of the business maturity, were included in the discounted cash flow model. The growth rate estimates are based on past performance and management's expectations of market development. A long-term growth rate into perpetuity has been determined taking into account forecasts included in industry reports.

Discount rates represent the current market assessment of the risks specific to the CGU. The discount rate is derived from the capital asset pricing model (CAPM). The cost of equity is derived from the expected return on investment by the Group's investors, specific risk incorporated by applying individual comparable beta factors adjusted by the debt structure of the CGU and country and market risk specific premiums to the CGU. The beta factors are evaluated annually based on publicly available market data.

For the nine-months ended at September 30, 2020, the Group recorded a gross impairment loss amounting to S/64.0 million for Bancompartir as a result of its assessment of the recoverable amount (S/54.0 million of impairment correspond to the participation of Credicorp and 10.0 million correspond to the minority participation).

12 RIGHT-OF-USE ASSETS AND LEASE LIABILITES

a) Right-of-use

The Group has leased agreements according to the following composition:

	As of September 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	782,181	(224,306)	557,875	819,046	(130,761)	688,285
Servers and technology platforms	161,375	(13,036)	148,339	168,371	(40,591)	127,780
Spaces for ATM	30,175	(13,947)	16,228	25,146	(7,900)	17,246
Transport units	2,895	(1,657)	1,238	3,006	(971)	2,035
Other leases	13,254	(5,964)	7,290	7,394	(3,654)	3,740
	989,880	(258,910)	730,970	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 September 30, 2020	As of December 31, 2019
	S/(000)	S/(000)
Other assets -		
Financial instruments:		
Receivables (h)	1,651,608	1,311,892
Derivatives receivable (b)	1,375,438	1,092,107
Receivables from sale of invesment (c)	813,239	278,580
Operations in process (d)	158,728	110,389
	3,999,013	2,792,968
Non-financial instruments:		
Deferred fees (e)	1,070,322	1,056,656
Investment in associates (f)	627,786	628,822
Investment properties, net (g)	456,123	450,929
Income tax prepayments, net	227,817	191,502
Adjudicated assets, net	140,988	143,349
Improvements in leased premises	95,334	112,385
VAT (IGV) tax credit	30,252	75,605
Others	9,206	6,254
	2,657,828	2,665,502
Total	6,656,841	5,458,470

	As of September 30, 2020	As of December 31, 2019
	S/(000)	S/(000)
Other liabilities -		
Financial instruments:		
Accounts payable (i)	2,188,371	1,670,525
Derivatives payable (b)	1,482,466	1,040,282
Accounts payable for acquisitions of investments (c)	815,669	311,348
Salaries and other personnel expenses	634,389	760,140
Allowance for indirect loan losses, Note 7(c)	503,207	383,797
Operations in process (d)	96,245	80,734
	5,720,347	4,246,826
Non-financial instruments:		
Taxes	419,848	644,802
Provision for sundry risks	446,399	359,853
Others	203,691	229,807
	1,069,938	1,234,462
Total	6,790,285	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 September 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 September 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) -									
Foreign currency forwards	191,869	220,648	26,692,655	October 2020 / October 2022	306,148	246,960	27,422,634	January 2020 / October 2020	-
Interest rate swaps	768,823	909,866	23,376,051	October 2020 / December 2031	268,633	350,938	26,268,071	January 2020 / December 2031	-
Currency swaps	369,929	228,108	8,608,943	October 2020 / January 2033	411,656	366,545	8,177,179	January 2020 / January 2033	-
Foreign exchange options	3,552	10,668	1,492,643	October 2020 / June 2021	6,489	6,089	1,565,083	January 2020 / December 2020	-
Futures	8,231	9,034	55,034	December 2020	10	139	16,901	March 2020	-
	1,342,404	1,378,324	60,225,326		992,936	970,671	63,449,868		
Derivatives held as hedges									
Cash flow hedges -									
Interest rate swaps (IRS)	–	2,932	251,790	March 2021	–	2,555	231,980	March 2021	Bonds issued
Interest rate swaps (IRS)	–	2,257	107,910	March 2022	–	–	–	-	Bonds issued
Interest rate swaps (IRS)	–	1,207	539,550	November 2020 / March 2021	102	1,111	662,800	May 2020 / November 2020	Debt to banks
Interest rate swaps (IRS)	–	540	356,103	November 2020 / March 2021	55	714	984,258	February 2020 / November 2020	Debt to banks
Interest rate swaps (IRS)	–	101	179,850	March 2021	114	–	331,400	August 2020	Debt to banks
Interest rate swaps (IRS)	–	–	–	-	315	839	994,200	May 2020 / August 2020	Debt to banks
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)	26,662	31,003	461,788	October 2020 / September 2024	20,803	1,167	107,425	May 2021 / September 2024	Investments (*)
Cross currency swaps (CCS)	5,145	–	179,850	January 2025	–	8,197	165,700	January 2025	Bonds issued
Cross currency swaps (CCS)	1,227	–	170,460	August 2021	–	2,823	152,545	August 2021	Bonds issued
Cross currency swaps (CCS)	–	27,460	161,865	August 2026	–	30,352	149,130	August 2026	Repurchase agreements
Cross currency swaps (CCS)	–	10,965	89,925	August 2026	–	12,236	82,850	August 2026	Repurchase agreements
Cross currency swaps (CCS)	–	–	–	-	30,741	–	231,980	August 2020	Repurchase agreements
Cross currency swaps (CCS)	–	–	–	-	7,624	–	331,400	January 2020	Debt to banks
Cross currency swaps (CCS) and Interest rate swaps (IRS)	–	–	–	-	39,417	–	265,120	August 2020	Repurchase agreements
Fair value hedges -									
Interest rate swaps (IRS)	–	27,677	624,511	March 2022 / May 2023	–	8,124	618,790	June 2021 / May 2023	Investments (*)
	33,034	104,142	3,123,602		99,171	69,611	6,270,638		
	1,375,438	1,482,466	63,348,928		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 September 30, 2020 and December 31, 2019.

As of September 30, 2020, the variation is mainly due to the fluctuation of market variables such as interest 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 September 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	7,630	26,991	85,758	54,421	594,023	768,823	3,716	8,409	38,569	8,067	209,872	268,633
Foreign currency forwards	134,024	54,604	3,241	−	−	191,869	199,070	104,265	2,813	−	−	306,148
Currency swaps	11,862	14,875	140,657	51,571	150,964	369,929	7,124	101,368	102,703	67,826	132,635	411,656
Foreign exchange options	3,399	153	−	−	−	3,552	1,844	4,645	−	−	−	6,489
Futures	8,231	−	−	−	−	8,231	10	−	−	−	−	10
Total assets	165,146	96,623	229,656	105,992	744,987	1,342,404	211,764	218,687	144,085	75,893	342,507	992,936

	As of September 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	10,934	28,996	99,231	73,279	697,426	909,866	7,705	13,837	46,840	18,477	264,079	350,938
Foreign currency forwards	151,004	66,494	3,150	−	−	220,648	154,424	89,739	2,797	−	−	246,960
Currency swaps	16,583	46,282	109,166	22,364	33,713	228,108	41,729	92,917	79,844	50,663	101,392	366,545
Foreign exchange options	10,585	83	−	−	−	10,668	836	5,253	−	−	−	6,089
Futures	9,034	−	−	−	−	9,034	139	−	−	−	−	139
Total liabilities	198,140	141,855	211,547	95,643	731,139	1,378,324	204,833	201,746	129,481	69,140	365,471	970,671

c) As of September 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.

d) 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.

e) As of September 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/679.5 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.

f) Credicorp's principal associate is Entidad Prestadora de Salud (EPS), whose balance amounts to S/587.5 million and S/571.9 million as of September 30, 2020 and December 31, 2019, respectively.

g) Investment properties -

The movement of investment properties is as follows:

	As of September 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)	–	10,024	10,024	33,321
Sales (ii)	(31)	(202)	(233)	(26,775)
Disposals and others	285	43	328	38
Ending Period	253,295	248,190	501,485	491,366
Accumulated depreciation				
Balance at January 1	–	39,027	39,027	43,488
Depreciation for the year	–	5,069	5,069	6,727
Sales (ii)	–	(148)	(148)	(11,435)
Disposals and others	–	4	4	247
Ending Period	–	43,952	43,952	39,027
Impairment losses (iii)	689	721	1,410	1,410
Net carrying amount	252,606	203,517	456,123	450,929

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

(i) As of September 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, the other located in Arequipa for approximately S/3.3 million and the Panorama building amounted of S/1.0 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 sales as of September 30, 2020 is mainly because of the sale of a shop N°112 of the building Jr. Huallaga, whose sale value was S/0.08 million cost of disposal of the property was S/0.09 million).

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 September 30, 2020 and December 31, 2019, the market value of the property amounts to approximately S/1,030.9 million and S/937.8 million, respectively; which was determined through a valuation made by an independent appraiser.

h) As of September 30, 2020, the balance corresponds mainly to the margin call for derivatives for S/474.6 million, works for taxes for S/238.2 million, accounts receivable from deferred currency sale for S/186.2 million, taxes paid on behalf of third parties and other accounts receivable related to taxes for S/98.2 million, visa account for payment to establishments for S/56.0 million, dividends receivable for S/31.8 million, accounts receivable from an associate for S/9.7 million, among others. (As of December 31, 2019, the balance was mainly made up of margin call for derivatives for S/201.7 million, works for taxes for S/253.5 million, account receivable from deferred currency sale for S/128.8 million, taxes paid on account from third parties and other accounts receivable related to taxes for S/94.5 million, visa account for payment to establishments for S/89.1 million, dividends receivable for S/0.4 million, account receivable from an associate for S/6.8 million, among others).

i) As of September 30, 2020, the balance corresponds mainly to repurchase agreements to be settled for S/264.5 million, accounts payable to suppliers for S/227.5 million, accounts payable for the purchase of deferred foreign currency for S/189.4 million, accounts for payable to policyholders for S/99.1 million, accounts payable to intermediaries for S/85.5 million, interbank operations to be settled with BCRP for S/75.8 million, insurance payable on behalf of third parties for S/74.5 million, accounts payable to an associate for S/72.2 million and Liquidation Funds of Financiera TFC for S/17.6 million, among others. (As of December 31, 2019, the balance corresponded mainly to accounts payable to suppliers for S/313.0 million, accounts payable to intermediaries for S/206.5 million, accounts payable to policyholders for S/108.1 million, Liquidation funds of Financiera TFC for S/104.0 million, accounts payable to an associate for S/52.0 million, interbank operations to be settled with BCRP for S/22.4 million, insurance payable on behalf of third parties for S/14.0 million and accounts payable for the purchase of deferred foreign currency for S/10.9 million, among others).

14 DEPOSITS AND OBLIGATIONS

a) This item consists of the following:

	As of September 30, 2020 S/(000)	As of December 31, 2019 S/(000)
Demand deposits	53,574,151	34,213,188
Time deposits (c)	28,693,983	32,853,576
Saving deposits	45,999,881	35,179,770
Severance indemnity deposits	7,127,617	7,897,199
Bank's negotiable certificates	1,091,457	1,180,461
Total	136,487,089	111,324,194
Interest payable	715,585	681,191
Total	137,202,674	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 without consider accrued interest, are presented below:

	As of September 30, 2020 S/(000)	As of December 31, 2019 S/(000)
Non-interest-bearing -		
In Peru	41,991,748	25,641,446
In other countries	3,688,648	2,674,724
	45,680,396	28,316,170
Interest-bearing -		
In Peru	80,168,688	74,413,962
In other countries	10,638,004	8,594,062
	90,806,692	83,008,024
Total	136,487,089	111,324,194

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

	As of September 30, 2020	As of December 31, 2019
	S/(000)	S/(000)
Up to 3 months	12,947,333	14,674,773
From 3 months to 1 year	6,065,127	8,975,269
From 1 to 3 years	6,125,747	6,096,891
From 3 to 5 years	837,646	819,446
More than 5 years	2,718,130	2,287,197
Total	28,693,983	32,853,576

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

As of September 30, 2020 and December 31, 2019, of the total balance of deposits and obligations, approximately S/43,540.7 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/100,777 and S/100,661, respectively.

As of September 30, 2020 and December 31, 2019, of the total balance of deposits and obligations, approximately 208,462.8 million Colombian pesos and 201,715.7 million Colombian pesos, respectively, are secured by the Colombian "Financial Institutions Guarantee Fund" (Fogafín, for its Spanish acronym). At said dates, maximum amount of coverage per depositor recognized by "Fogafín" totaled 50,000,000.0 Colombian pesos and 50,000,000.0 Colombian pesos, respectively.

15 DUE TO BANKS AND CORRESPONDENTS

a) This item consists of the following:

	As of September 30, 2020	As of December 31, 2019
	S/(000)	S/(000)
International funds and others (b)	3,395,659	5,654,014
Promotional credit lines (c)	3,130,400	2,938,981
Inter-bank funds	–	205,000
	6,526,059	8,797,995
Interest payable	75,663	43,737
Total	6,601,722	8,841,732

b) This item consists of the following:

	As of September 30, 2020	As of December 31, 2019
	S/(000)	S/(000)
Corporación Financiera de Desarrollo (COFIDE)	794,444	406,710
Citibank N.A.	539,550	662,800
Sumitomo Mitsui Banking Corporation	356,103	984,258
Toronto-Dominion Bank	269,775	–
Banco de la Nación	260,000	–
Bank of New York Mellon	179,850	331,400
Bank of America, N.A.	178,895	994,200
Wells Fargo Bank, N.A.	143,880	730,074
Bancoldex	92,767	–
Bankinter	71,940	–
Bancolombia S.A.	64,363	–
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 ICBC	55,000	–
Scotiabank Perú S.A.A.	50,000	100,000
Corporación Andina de Fomento - CAF	–	662,800
International Finance Corporation (IFC)	–	91,558
Standard Chartered Bank	–	86,827
Banco BBVA Perú	–	85,000
Others less than S/51.5 million	219,092	328,387
Total	3,395,659	5,654,014

As of September 30, 2020, the loans have maturities between October 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 0.45 percent and 9.64 percent and accrue interest in soles at rates that fluctuate between 3.61 percent and 4.3 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 October 2020 and October 2025 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 September 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/3,130.4 million and S/2,939.0 million, as of September 30, 2020 and December 31, 2019, respectively.

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

	As of September 30, 2020	As of December 31, 2019
	S/(000)	S/(000)
Up to 3 months	100,864	2,062,121
From 3 months to 1 year	2,609,410	3,693,328
From 1 to 3 years	1,165,341	559,511
From 3 to 5 years	660,045	614,265
More than 5 years	1,990,399	1,868,770
Total	6,526,059	8,797,995

e) As of September 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/6,526.1 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 September 30, 2020		
	Technical reserves for claims	Technical reserves for premiums (*)	Total
	S/(000)	S/(000)	S/(000)
Life insurance	1,193,163	8,356,553	9,549,716
General insurance	663,910	567,820	1,231,730
Health insurance	125,580	186,822	312,402
Total	1,982,653	9,111,195	11,093,848

	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 September 30, 2020, the life insurance technical reserves include the mathematical reserves of income amounting to S/6,520.2 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 September 30, 2020, the reserves for direct claims include reserves for IBNR for life, general and health insurance for an amount of S/564.4 million, S/35.4 million and S/114.7 million, respectively (S/393.4 million, S/24.3 million and S/63.5 million, respectively, as of December 31, 2019). The increase as of September 30, 2020 in reserves for IBNR for life, general and health insurance is mainly due to impact of COVID-19.

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

Technical reserves for premiums 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:

	Annual interest rate	Interest payment	As of September 30, 2020 Maturity	Issued amount	Carrying amount	As of December 31, 2019 Maturity	Issued amount	Carrying amount
	%			(000)	S/(000)		(000)	S/(000)
Senior notes - BCP (i)	From 4.65 to 4.85	Semi-annual	October 2020 / September 2024	S/2,900,000	2,879,662	October 2020 / September 2024	S/2,900,000	2,872,355
Senior notes - BCP (ii)	4.25	Semi-annual	April 2023	US$716,301	2,530,417	April 2023	US$716,301	2,318,975
Senior notes - BCP (iii)	From 2.70 to 5.38	Semi-annual	January 2025	US$700,000	2,425,007	September 2020 / January 2025	US$1,074,628	3,464,199
Senior notes - Credicorp Ltd. (iv)	2.75	Semi-annual	June 2025	US$500,000	1,750,624	-	-	–
Senior notes - BCP (v)	Libor 3M + 100 pb	Quarterly	March 2021	US$70,000	251,675	March 2021	US$70,000	231,738
Senior notes - BCP (vi)	0.42	Semi-annual	August 2021	¥5,000,000	170,098	August 2021	¥5,000,000	151,888
Senior notes - BCP	Libor 3M + 55 pb	Quarterly	March 2022	US$30,000	107,728	-	-	–
MMT 100 - Secured notes- CCR Inc. (vii)								
2012 Series C Floating rate certificates	4.75	Monthly	July 2022	US$315,000	296,753	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	527,502	December 2021/ November 2022	S/550,000	527,868
Fifth program								
Third issuance (Series C) - BCP	4.25	Semi-annual	July 2022	S/109,310	108,931	July 2022	S/109,310	108,821
Third issuance (Series A) - BCP	4.59	Semi-annual	July 2021	S/70,770	67,616	July 2021	S/70,770	63,430
Third issuance (Series D) - BCP	3.88	Semi-annual	August 2022	S/42,660	42,426	August 2022	S/42,660	42,337
Third issuance (Series B) - BCP	4.88	Semi-annual	October 2021	S/42,200	42,160	October 2021	S/42,200	29,183
First issuance (Series D) - BCP	5.91	Semi-annual	-	-	–	January 2020	S/182,410	182,061
					788,635			953,700

	Annual interest rate	Interest payment	As of September 30, 2020 Maturity	Issued amount	Carrying amount	As of December 31, 2019 Maturity	Issued amount	Carrying amount
	%			(000)	S/(000)		S/(000)	S/(000)
Subordinated bonds - BCP (viii)	From 3.13 to 6.13	Semi-annual	April 2027 / July 2030	US$1,144,700	3,991,199	April 2027	US$720,000	2,383,860
Subordinated bonds - BCP (ix)	6.88	Semi-annual	September 2026	US$181,505	646,772	September 2026	US$476,120	1,549,702
Subordinated bonds -								
First program								
First issuance (Series A) - Pacífico Seguros	6.97	Quarterly	November 2026	US$60,000	215,820	November 2026	US$60,000	198,840
First issuance (Series A) - BCP	6.22	Semi-annual	May 2027	S/15,000	15,000	May 2027	S/15,000	15,000
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	36,446	August 2028	Bs70,000	33,816
Issuance II - Banco de Crédito de Bolivia	5.25	Semi-annual	August 2022	Bs137,200	71,819	August 2022	Bs137,200	66,782
					469,085			444,372
Negotiable certificate of deposit - Mibanco	From 3.80 to 5.80	Annual	October 2020 / November 2024	S/1,032	1,032	January 2020 / January 2024	S/997	997
Subordinated negotiable certificates - BCP	Libor 3M + 279 bp	Quarterly	November 2021	US$2,960	10,647	November 2021	US$2,960	9,809
					16,319,334			14,766,848
Interest payable					106,498			179,515
Total					16,425,832			14,946,363

During the first quarter of 2018, in accordance with the interest rate risk exposure strategy, 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 fair value gains 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 September 30, 2020, the liability amounts to US$3.1 million, equivalent to S/11.1 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 September 30, 2020 amounts to US$5.6 million, equivalent to S/19.6 million (US$6.6 million, equivalent to S/21.8 million, during the period ended September 30, 2019).

(i) 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.

(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 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 maintained a notional value payable amounting to US$374.6 million, which matured in September 2020.

    In the same way, in September 2019, the Bank issued senior notes of approximately US$700.0 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.

(iv) In June of 2020, Credicorp Ltd. issued Senior Notes for approximately US$500.0 million, equivalent to S/1,798.5 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.

(v) In February of 2019, the Bank issued Senior Notes for approximately US$70.0 million, equivalent to S/251.8 million as of September 30, 2020 (US$70.0 million equivalent to S/232.0 million as of December 31, 2019) at variable rate, whose maturity date is on March 5, 2021.

(vi) In July of 2019, the Bank issued Senior Notes for approximately JPY5,000.0 million, equivalent to S/170.5 million as of September 30, 2020 (JPY5,000.0 million, equivalent to S/152.5 million as of December 31, 2019) at fixed interest rate, whose maturity date is on August 2, 2021.

(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 704.3 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.

In July 2020, The Bank repurchased US$294.6 million from the total US$476.1 million outstanding amount of "6.875% Fixed- to-Floating Rate Subordinated Notes due 2026". Also, the Bank repurchased US$224.9 and exchanged US$200.4 million from the total US$720 million outstanding amount of "6.125% Fixed-to-Floating Rate Subordinated Notes due 2027"

Also, on July 1, 2020, the Bank issued Subordinated Notes under the Medium-Term Bond Program for a total amount of US$850.0 million at a semi-annual coupon rate of 3.125 percent maturing in July 2030 under the name of "3.125% Subordinated Fixed-to-Fixed Rate Notes due 2030 (Callable 2025)". On July 1, 2025, the Bank may redeem all or part of the notes at a redemption price equal to 100% of the aggregate amount of the principal of the notes to be redeemed. From now on, the Bank may redeem all or part of the notes at a redemption price equal to the higher of (1) 100% of the principal amount of the notes and (2) the sum of the remaining cashflows discounted at a rate equivalent to the US Treasury interest rate plus 45 basis points. The payment of principal will take place on the due date or when the Bank redeems the notes.

(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 September 30,	As of December 31, 2019
	S/(000)	S/(000)
Up to 3 months	441,027	182,365
From 3 months to 1 year	611,365	1,739,358
From 1 to 3 years	3,491,541	1,438,732
From 3 to 5 years	6,740,164	4,863,708
More than 5 years	5,035,237	6,542,685
Total	16,319,334	14,766,848

18 EQUITY

a) Capital stock -

As of September 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 September 30, 2020 and 2019:

	Number of shares		
As of September 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
Grupo Crédito	62,396	32,512	94,908
Pacífico Seguros	–	29,845	29,845
Credicorp Capital Servicios Financieros	–	17,598	17,598
Mi Banco	–	14,872	14,872
Atlantic Security Bank	–	11,434	11,434
Other minors	–	28,288	28,288
	14,683,242	293,888	14,977,130

	Number of shares		
As of September 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 Capital Servicios Financieros	–	13,830	13,830
Mi Banco	–	9,060	9,060
Credicorp Perú	–	21,695	21,695
Credicorp Capital Limited	–	9,518	9,518
Other minors	4,387	29,120	33,507
	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 nine-month periods ended September 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 September 30, 2020 and December 31, 2019, the balance of this reserves amounts approximately to S/7,017.3 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 September 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 September 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 September 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/28,359.2 million and S/25,732 million, respectively. At those dates, the Group's regulatory requirement exceeds by approximately S/8,987.9 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 September 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 September 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 were two tax regimes: partially integrated regime and attributed regime. Credicorp Capital Holding Chile and all their Subsidiaries was taxed under the partially integrated regime, whose first category income tax rate for domiciled legal entities was 27.0 percent as of December 31, 2019.

With the change in tax legislation of Chile in 2020, two new regimes currently in force are established: the general regime and the Pro-SME regime, for smaller companies. Credicorp Capital Holding Chile, like all its subsidiaries, is taxed under the general tax regime, whose first category income tax rate for domiciled legal entities remains at 27.0 percent as of December 31, 2020.

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 September 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 September 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 September 30, 2020, and December 31, 2019, no taxable income was generated from the operations in the United States of America.

b) Income tax expense comprises:

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2020 S/(000)	2019 S/(000)	2020 S/(000)	2019 S/(000)
Current -				
In Peru	270,818	371,502	866,808	1,084,453
In other countries	31,671	54,141	107,332	147,072
	302,489	425,643	974,140	1,231,525
Deferred -				
In Peru	(216,923)	(16,730)	(1,112,180)	21,725
In other countries	(30,027)	(5,692)	(75,397)	(13,398)
	(246,950)	(22,422)	(1,187,577)	8,327
Total	55,539	403,221	(213,437)	1,239,852

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 income tax expense and the deferred is mainly due to the increase in approximately S/880.2 million as of September 30, 2020 because of the increase of the allowance of loan losses . Also, the increased of the income tax expense was related to the recognition of the impact by freezing credits due to COVID-19 in amount of S/36.0 million as of September 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 2018

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 September 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 September 30, 2020 and December 31, 2019, the Group has granted 176,212 and 116,594 Credicorp shares, of which 293,888 and 246,931 shares not vested as of September 30, 2020 and December 31, 2019, respectively. During the nine-month periods ended September 30, 2020 and 2019, the recorded expense amounted to approximately S/72.3 million and S/89.6 million, respectively, see Note 27.

21 OFF-BALANCE SHEET ACCOUNTS

a) This item consists of the following:

	As of September 30, 2020	**As of December 31, 2019**
	S/(000)	**S/(000)**
Contingent credits - indirect loans (b)		
Guarantees and standby letters	16,794,172	18,894,456
Import and export letters of credit	1,725,788	2,186,579
Sub-total, Note 7(b)	18,519,960	21,081,035
Responsibilities under credit line agreements (c)	81,926,284	75,615,563
Total	100,446,244	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 three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2020 S/(000)	**2019 S/(000)**	**2020 S/(000)**	**2019 S/(000)**
Interest and similar income				
Interest on loans	2,578,361	2,701,117	7,701,997	7,896,052
Interest on investments at fair value through other comprehensive income	279,498	266,185	816,181	813,433
Interest on investments at amortized	56,291	47,387	166,263	147,593
Interest on due from banks	7,981	79,723	66,357	251,899
Interest on investments at fair value through profit or loss	11,520	11,739	38,217	39,003
Dividends received	8,871	2,914	21,617	21,495
Other interest and similar income	11,048	14,607	33,916	39,494
Total	2,953,570	3,123,672	8,844,548	9,208,969
Interest and similar expense				
Interest on deposits and obligations	(258,838)	(372,822)	(943,114)	(1,091,653)
Interest on bonds and notes issued	(301,347)	(236,567)	(698,809)	(690,934)
Interest on due to banks and correspondents	(143,739)	(151,221)	(438,684)	(449,356)
Deposit Insurance Fund	(49,109)	(38,501)	(133,209)	(112,810)
Interest on lease liabilities	(8,241)	(10,017)	(25,585)	(26,146)
Other interest and similar expense	(30,601)	(38,144)	(103,025)	(112,099)
Total	(791,875)	(847,272)	(2,342,426)	(2,482,998)

23 COMMISSIONS AND FEES

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2020	2019	2020	2019
	S/(000)	S/(000)	S/(000)	S/(000)
Maintenance of accounts, transfers and credit and debit card services	290,686	333,261	762,934	971,104
Funds and equity management	147,993	167,250	464,265	503,144
Contingent loans and foreign trade fees	94,015	99,379	265,866	278,115
Commissions for banking services	71,003	72,838	188,974	208,928
Collection services	21,769	30,950	65,430	95,963
Brokerage, securities and custody services	27,068	14,452	47,169	56,322
Commissions for consulting and technical studies	16,753	20,264	41,161	65,104
Penalty commissions	13,398	20,634	38,344	60,717
Commissions for salary advance and payment of services	5,754	12,037	24,648	36,967
Others	87,366	44,338	140,832	109,211
Total	775,805	815,403	2,039,623	2,385,575

The main variations in the commissions and fees corresponding to the nine-month periods ended September 30, 2020 compared to the nine-month periods ended September 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 three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2020	2019	2020	2019
	S/(000)	S/(000)	S/(000)	S/(000)
Net gain on investments at fair value through other comprehensive income	96,947	135,448	251,285	243,315
Net gain on financial assets at fair value through profit or loss (i)	37,619	13,205	81,216	121,424
Net gain in associates (ii)	11,245	21,842	45,375	57,106
Provision of credit loss for investments at fair value through other comprehensive income (iii), Note 6(b)	1,527	1,554	(36,154)	(645)
Others	(136)	220	(460)	865
Total	147,202	172,269	341,262	422,065

(i) The variation is due to the result mainly from the following subsidiaries occurred during the nine-month periods ended September 30, 2020:

- Banco de Crédito del Perú had net loss for approximately S/29.8 million mainly from realized losses (during the nine-month periods ended September 30, 2019, net profit for S/0.6 million).

- Atlantic Security Private Equity General Partner had net losses for approximately S/52.2 million correspond to unrealized losses from the Carlyle Perú Fund L.P. investment funds (during the nine-month periods ended September 30, 2019, net profit for S/14.1 million).

- Atlantic Security Bank (ASB) had net profit for approximately S/101.1 million correspond mainly to unrealized profit from the Royalty Pharma plc's shares exchanged (see Note 6(a)(vi)) (during the nine-month periods ended September 30, 2020, net profit for S/36.4 million).

(ii) It mainly includes the gain of its associated "Entidad Prestadora de Salud" for approximately S/43.4 million during the nine-month periods ended September 30, 2020 (S/36.4 million during the nine-month periods ended September 30, 2019).

(iii) The variation corresponds mainly to the greater provision recorded by the following subsidiaries occurred during the nine-month periods ended September 30, 2020 respect to the same period of the 2019 in: (i) S/18.0 million recorded by Pacífico Seguros, (ii) S/9.0 million recorded by Banco de Crédito del Perú and (iii) S/5.9 million recorded by Atlantic Security Bank (ASB). 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 three-month periods ended September 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						
Seguros de vida						
Life insurance	486,351	(197,706)	288,645	(29,212)	48,577	308,010
Health insurance	146,614	(4,893)	141,721	(1,820)	–	139,901
General insurance	199,906	25,649	225,555	(78,072)	–	147,483
Total	832,871	(176,950)	655,921	(109,104)	48,577	595,394
2019						
Seguros de vida						
Life insurance	480,407	(144,152)	336,255	(27,807)	(2,024)	306,424
Health insurance	141,457	(1,429)	140,028	(2,839)	–	137,189
General insurance	218,168	45,871	264,039	(102,775)	–	161,264
Total	840,032	(99,710)	740,322	(133,421)	(2,024)	604,877

For the nine-month periods ended September 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	1,441,837	(472,943)	968,894	(84,968)	41,601	925,527
Health insurance	439,156	(21,929)	417,227	(8,201)	–	409,026
General insurance	652,591	94,003	746,594	(305,756)	–	440,838
Total	2,533,584	(400,869)	2,132,715	(398,925)	41,601	1,775,391
2019						
Life insurance	1,471,458	(542,496)	928,962	(88,354)	58,933	899,541
Health insurance	433,267	(22,516)	410,751	(9,087)	–	401,664
General insurance	756,894	30,931	787,825	(315,365)	–	472,460
Total	2,661,619	(534,081)	2,127,538	(412,806)	58,933	1,773,665

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

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

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2020	2019	2020	2019
	S/(000)	S/(000)	S/(000)	S/(000)
Premiums ceded for automatic contracts (mainly excess of loss), Note 9(b)	(48,129)	(46,915)	(183,034)	(187,571)
Premiums ceded for facultative contracts, Note 9(b)	(42,389)	(60,593)	(169,076)	(202,552)
Variation of reserve risk in progress of premiums ceded, Note 9(b)	(18,586)	(25,913)	(46,815)	(22,683)
	(109,104)	(133,421)	(398,925)	(412,806)

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

	For the three-month periods ended September 30,			
	2020		2019	
	S/(000)	%	S/(000)	%
Life insurance (i)	288,645	44.01	336,255	45.42
Health insurance (ii)	141,721	21.61	140,028	18.91
General insurance (iii)	225,555	34.39	264,039	35.67
Total	655,921	100.00	740,322	100.00

	For the nine-month periods ended September 30,			
	2020		2019	
	S/(000)	%	S/(000)	%
Life insurance (i)	968,894	45.43	928,962	43.66
Health insurance (ii)	417,227	19.56	410,751	19.31
General insurance (iii)	746,594	35.01	787,825	37.03
Total	2,132,715	100.00	2,127,538	100.00

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

	For the three-month periods ended September 30,			
	2020		2019	
	S/(000)	%	S/(000)	%
Credit life	122,701	42.51	196,006	58.29
Disability and survival (*)	112,554	38.99	114,359	34.01
Individual life (**)	(5,229)	(1.81)	(20,844)	(6.20)
Group life	35,807	12.41	31,913	9.49
Annuities	22,812	7.90	14,821	4.41
Total	288,645	100.00	336,255	100.00

	For the nine-month periods ended September 30,			
	2020		2019	
	S/(000)	%	S/(000)	%
Credit life	402,105	41.50	392,477	42.25
Disability and survival (*)	336,947	34.78	352,646	37.96
Individual life (**)	80,037	8.26	56,326	6.06
Group life	97,293	10.04	88,986	9.58
Annuities	52,512	5.42	38,527	4.15
Total	968,894	100.00	928,962	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/358.7 million and S/348.3 million during the nine-month periods ended September 30, 2020 and 2019, respectively; and represents 85.98 percent and 84.81 percent of this line of business at said periods, respectively.

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

	For the three-month periods ended September 30,			
	2020		2019	
	S/(000)	%	S/(000)	%
Automobile	84,309	37.38	88,927	33.68
Fire and allied lines	66,294	29.39	74,343	28.16
Theft and robbery	20,950	9.29	28,950	10.96
Technical lines (*)	14,606	6.48	18,802	7.12
Third party liability	13,475	5.97	9,249	3.50
Transport	11,077	4.91	11,710	4.43
SOAT (Mandatory automobile line)	7,861	3.49	10,544	3.99
Marine Hull	5,520	2.45	7,103	2.69
Aviation	1,663	0.74	15,649	5.93
Others	(200)	(0.09)	(1,238)	(0.47)
Total	225,555	100.00	264,039	100.00

	For the nine-month periods ended September 30,			
	2020		2019	
	S/(000)	%	S/(000)	%
Automobile	255,776	34.26	265,352	33.68
Fire and allied lines	197,903	26.51	216,867	27.53
Theft and robbery	64,316	8.61	78,408	9.95
Technical lines (*)	44,821	6.00	53,093	6.74
Third party liability	41,007	5.49	37,062	4.70
Transport	30,618	4.10	32,022	4.06
SOAT (Mandatory automobile line)	25,536	3.42	31,034	3.93
Marine Hull	16,894	2.26	20,795	2.64
Aviation	30,850	4.13	29,208	3.70
Others	38,873	5.22	23,984	3.07
Total	746,594	100.00	787,825	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 three-month periods ended September 30,			
	Life insurance	**General insurance**	**Health insurance**	**Total**
	S/(000)	**S/(000)**	**S/(000)**	**S/(000)**
2020				
Gross claims	425,546	75,982	78,463	579,991
Ceded claims	(38,247)	(25,957)	(2,696)	(66,900)
Net insurance claims	387,299	50,025	75,767	513,091

	For the three-month periods ended September 30,			
	Life insurance	**General insurance**	**Health insurance**	**Total**
	S/(000)	**S/(000)**	**S/(000)**	**S/(000)**
2019				
Gross claims	249,862	85,091	87,084	422,037
Ceded claims	(22,595)	(9,166)	(4,789)	(36,550)
Net insurance claims	227,267	75,925	82,295	385,487

	For the nine-month periods ended September 30,			
	Life insurance	**General insurance**	**Health insurance**	**Total**
	S/(000)	**S/(000)**	**S/(000)**	**S/(000)**
2020				
Gross claims	940,387	242,654	211,274	1,394,315
Ceded claims	(72,075)	(98,544)	(8,321)	(178,940)
Net insurance claims	868,312	144,110	202,953	1,215,375

	For the nine-month periods ended September 30,			
	Life insurance	**General insurance**	**Health insurance**	**Total**
	S/(000)	**S/(000)**	**S/(000)**	**S/(000)**
2019				
Gross claims	739,083	408,136	250,494	1,397,713
Ceded claims	(71,937)	(172,094)	(9,690)	(253,721)
Net insurance claims	667,146	236,042	240,804	1,143,992

Fort the nine-month periods ended September 30, 2020 the net insurances claims for general insurance had a reduction mainly because of confinement dictated by the Government in the previous months of the year of 2020, see Note 2(b). Among the most affected branches are vehicle insurance, Mandatory Traffic Accident Insurance (“SOAT” by its acronym in Spanish) and personal accidents. Likewise, the increase in net insurances claims for Life Insurances was mainly due to the impact of COVID-19.

27 SALARIES AND EMPLOYEES BENEFITS

This item consists of the following:

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2020 S/(000)	2019 S/(000)	2020 S/(000)	2019 S/(000)
Salaries	476,730	452,009	1,481,785	1,348,574
Vacations, medical assistance and others	62,083	84,139	215,375	253,094
Bonuses	67,892	66,040	208,251	198,848
Workers' profit sharing	57,547	64,355	166,245	188,124
Social security	48,522	46,835	160,458	150,962
Severance indemnities	38,414	40,067	114,821	113,993
Additional participation	25,540	61,749	101,353	182,306
Share-based payment plans	26,710	30,151	72,331	89,596
Total	803,438	845,345	2,520,619	2,525,497

28 ADMINISTRATIVE EXPENSES

This item consists of the following:

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2020 S/(000)	2019 S/(000)	2020 S/(000)	2019 S/(000)
Repair and maintenance	102,788	88,499	276,908	240,235
Publicity	90,912	87,711	219,673	250,209
Taxes and contributions	59,866	70,224	191,227	209,105
Consulting and professional fees	45,962	70,336	131,859	154,951
Transport and communications	43,882	42,873	109,504	127,605
IBM services expenses	40,148	16,034	103,463	73,652
Comissions by agents	22,266	22,435	62,775	61,378
Security and protection	16,101	15,838	47,903	50,108
Sundry supplies	12,679	19,403	46,226	55,757
Leases of low value, short-term and variable payments	11,938	10,030	43,257	40,610
Electricity and water	12,170	13,571	37,117	39,925
Subscriptions and quotes	12,263	11,920	35,234	31,271
Insurance	20,392	19,114	28,497	23,499
Electronic processing	8,824	6,520	24,301	18,982
Cleaning	6,706	4,880	17,745	15,655
Audit Services	3,693	1,216	6,163	5,162
Services by third-party and others (*)	78,404	69,686	254,863	262,996
Total	588,994	570,290	1,636,715	1,661,100

(*) The balances consist mainly of outsourcing services, representation, digitization and archiving service, appraisal, among other concepts.

29 OTHER INCOME AND EXPENSES

This item consists of the following:

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2020 S/(000)	2019 S/(000)	2020 S/(000)	2019 S/(000)
Other income				
Rental income	18,193	3,519	30,054	31,467
Revenue from sale of loan portfolio	362	31,065	26,440	67,579
Net income from the sale of property, furniture and equipment	(97)	(21,021)	9,905	13,894
Income from de-recognition of contracts IFRS	8,859	–	8,859	–
Net income from non-current assets held for sale	–	32,738	–	40,908
Net gain from sale of adjudicated assets	1,802	–	3,575	–
Others (i)	10,379	86,827	113,631	169,909
Total other income	39,498	133,128	192,464	323,757

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2020 S/(000)	2019 S/(000)	2020 S/(000)	2019 S/(000)
Other expenses				
Donations (ii)	7,527	3,913	127,544	9,056
Provision for sundry risks	80,995	3,953	89,053	14,466
COVID-19 operating expenses (iii)	32,145	–	85,116	–
Association in participation (iv)	10,566	5,348	34,940	12,830
Losses due to operational risk	14,584	6,591	32,849	21,412
Provision for other accounts receivable	18,581	746	27,035	4,481
Expenses on improvements in building for rent	6,342	7,886	19,716	22,072
Net loss from sale adjudicated assets	–	37,619	–	40,684
Others	6,536	32,348	59,481	65,203
Total other expenses	177,276	98,404	475,734	190,204

(i) During the nine-month periods ended September 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 nine-month periods ended September 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 September 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 three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2020	2019	2020	2019
Net loss (income) attributable to equity holders of Credicorp (in thousands of Soles)	104,606	1,093,034	(306,510)	3,292,474
Number of stock				
Ordinary stock, Note 18(a)	94,382,317	94,382,317	94,382,317	94,382,317
Less – opening balance of treasury stock	(14,872,164)	(14,883,274)	(14,872,164)	(14,883,274)
Acquisition of treasury stock, net	(101,065)	(16,641)	(101,065)	(16,641)
Weighted average number of ordinary shares for basic earnings	79,409,088	79,482,402	79,409,088	79,482,402
Plus - dilution effect - stock awards	173,197	165,968	173,197	165,968
Weighted average number of ordinary shares adjusted for the effect of dilution	79,582,285	79,648,370	79,582,285	79,648,370
Basic (losses) earnings per share (in Soles)	1.32	13.74	(3.86)	41.42
Diluted (losses) earnings per share (in Soles)	1.32	13.71	(3.85)	41.34

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 nine-month periods ended September 30, 2020 and the first nine-month periods ended September 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 nine-month periods ended September 30, 2020								As of September 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 (loss)**	**Total assets**	**Total liabilities**
Universal Banking										
Banco de Crédito del Perú	8,184	313	4,521	2,039	(4,022)	(391)	128	36	177,920	162,358
Banco de Crédito de Bolivia	581	6	261	71	(212)	(17)	(4)	(54)	11,726	11,042
Insurance and Pension funds										
Pacífico Seguros y subsidiarias	2,331	50	389	430	–	(43)	(3)	186	15,093	12,254
Prima AFP	261	2	(8)	260	–	(16)	(40)	85	1,016	379
Microfinance										
Mibanco	1,504	25	1,164	26	(991)	(67)	170	(402)	14,557	12,870
Banco Compartir S.A.	141	25	93	17	(56)	(9)	21	(38)	916	840
Edyficar S.A.S.	33	–	30	–	(9)	(1)	–	(2)	135	80
Investment Banking and Wealth Management	750	16	49	610	–	(26)	(22)	37	12,309	10,665
Other segments	(89)	17	439	(104)	(5)	(5)	(37)	(180)	3,520	2,466
Eliminations	–	–	(436)	–	–	–	–	–	(5,506)	(5,335)
Total consolidated	13,696	454	6,502	3,349	(5,295)	(575)	213	(332)	231,686	207,619

	For the nine-month periods ended September 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 (loss)**	**Total assets**	**Total liabilities**
Universal Banking										
Banco de Crédito del Perú	8,801	305	4,593	2,423	(1,129)	(327)	(896)	2,496	139,832	123,057
Banco de Crédito de Bolivia	546	3	243	90	(39)	(15)	(35)	65	10,481	9,744
Insurance and Pension funds										
Pacífico Seguros y subsidiarias	2,363	16	368	569	–	(44)	(4)	266	13,785	10,964
Prima AFP	342	2	(1)	342	–	(15)	(64)	150	909	211
Microfinance										
Mibanco	1,807	89	1,420	44	(360)	(36)	(119)	298	13,576	11,489
Banco Compartir S.A.	–	–	–	–	–	–	–	–	1,046	888
Edyficar S.A.S.	37	–	32	1	(4)	(1)	(3)	4	141	80
Investment Banking and Wealth Management	723	5	62	542	–	(16)	(14)	183	9,423	7,950
Other segments	51	89	440	29	1	(1)	(105)	(104)	2,998	992
Eliminations	–	–	(431)	–	–	–	–	–	(4,314)	(4,245)
Total consolidated	14,670	509	6,726	4,040	(1,531)	(455)	(1,240)	3,359	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 nine-month periods ended September 30, 2020		As of September 30, 2020		For the nine-month periods ended September 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	12,364	6,329	3,673	183,102	13,425	6,698	3,943	142,178
Bermuda	13	(9)	134	1,925	9	10	117	266
Panama	2	–	–	1,065	–	–	–	–
Cayman Islands	131	70	33	6,989	274	89	20	5,008
Bolivia	641	282	97	11,102	603	273	93	9,815
Colombia	424	106	467	2,459	243	10	435	2,769
United States of America	25	–	3	14	5	–	3	6
Chile	96	(3)	158	963	111	(2)	209	1,088
Total consolidated	13,696	6,775	4,565	207,619	14,670	7,078	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 September 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 September 30, 2020	As of December 31, 2019
	S/(000)	S/(000)
Statement of financial position -		
Direct loans	2,181,421	1,657,206
Investments (*)	1,122,449	935,286
Deposits (**)	(1,509,034)	(751,990)
Derivatives at fair value	4,721	4,984
Off-balance sheet		
Indirect loans	352,278	373,865

(*) Corresponds mainly to the acquisition of corporate bonds issued by Alicorp S.A.
(**) Corresponds only to deposits of legal persons.

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2020	2019	2020	2019
	S/(000)	S/(000)	S/(000)	S/(000)
Statement of income				
Interest income related to loans	11,529	7,452	33,559	21,896
Interest expenses related to deposits	(3,352)	(2,188)	(10,244)	(8,038)
Other income	2,305	2,746	6,477	7,653

The increase of the direct loans and accrued interest on loans is mainly due to loan awarded made between May and September 2020 of the Effective Credits. 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.

c) All transactions with related parties are made in accordance with normal market conditions available to other customers. As of September 30, 2020, direct loans to related companies are secured by collateral, had maturities between October 2020 and March 2036, at an annual soles average interest rate of 5.38 percent and at an annual foreign currency average interest rate of 4.20 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 September 30, 2020 and December 31, 2019, the Group maintains an allowance for loan losses for related parties amounting to S/13.0 million and S/12.6 million, respectively.

d) As of September 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 September 30, 2020 and December 31, 2019, direct loans to employees, directors, key management and family members amounted to S/1,009.8 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 September 30, 2020 and December 31, 2019 was as follows:

	For the three-month periods ended September 30,		**For the nine-month periods ended September 30,**	
	2020	**2019**	**2020**	**2019**
	S/(000)	**S/(000)**	**S/(000)**	**S/(000)**
Director's compensation	1,878	1,750	5,263	5,172
Senior Management Compensation:				
Remuneration	4,432	4,305	28,031	27,163
Stock awards vested	5,689	6,841	17,067	20,525
Total	11,999	12,896	50,361	52,860

f) As of September 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 September 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		
U.S. Dollars (*)	313,494	38,149
Bolivianos	134,027	126,722
Soles	72,016	59,934
Colombian pesos	14,180	17,475
Chilean pesos	8,297	6,765
Total	542,014	249,045
Restricted mutual funds, Note 6(a)(iv)	436,059	460,086

(*) The increase in the balance corresponds mainly to the purchase of new participations in the funds "Credicorp Capital Latin American Corporate Debt Fund" and "Credicorp Capital Latin American Investment Grade". See Note 6(a)(i).

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 September 30,2020 and December 31, 2019:

	As of September 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	–	–	–	–	35,137,959	35,137,959	–	–	–	–	25,986,762	25,986,762
Guarantee funds, reverse repurchase agreements and securities borrowings	–	–	–	–	2,821,116	2,821,116	–	–	–	–	4,288,524	4,288,524
At fair value through profit or loss	6,658,680	–	–	–	–	6,658,680	3,850,762	–	–	–	–	3,850,762
Investments at fair value through other comprehensive income, Note 6(b)	–	–	40,199,774	513,057	–	40,712,831	–	–	25,623,934	578,789	–	26,202,723
Amortized cost investments	–	–	–	–	4,277,475	4,277,475	–	–	–	–	3,477,046	3,477,046
Loans, net	–	–	–	–	126,492,328	126,492,328	–	–	–	–	110,485,717	110,485,717
Financial assets designated at fair value through profit or loss	–	729,059	–	–	–	729,059	–	620,544	–	–	–	620,544
Premiums and other policies receivable	–	–	–	–	801,480	801,480	–	–	–	–	838,731	838,731
Accounts receivable from reinsurers and coinsurers	–	–	–	–	833,039	833,039	–	–	–	–	791,704	791,704
Due from customers on acceptances	–	–	–	–	256,238	256,238	–	–	–	–	535,222	535,222
Other assets, Note 13(a)	1,375,438	–	–	–	2,623,575	3,999,013	1,092,107	–	–	–	1,700,861	2,792,968
	8,034,118	729,059	40,199,774	513,057	173,243,210	222,719,218	4,942,869	620,544	25,623,934	578,789	148,104,567	179,870,703
Liabilities												
Deposits and obligations	–	–	–	–	137,202,674	137,202,674	–	–	–	–	112,005,385	112,005,385
Payables from repurchase agreements and securities lending	–	–	–	–	27,778,922	27,778,922	–	–	–	–	7,678,016	7,678,016
Due to banks and correspondents	–	–	–	–	6,601,722	6,601,722	–	–	–	–	8,841,732	8,841,732
Bankers' acceptances outstanding	–	–	–	–	256,238	256,238	–	–	–	–	535,222	535,222
Accounts payable to reinsurers and coinsurers	–	–	–	–	222,194	222,194	–	–	–	–	216,734	216,734
Lease liabilities	–	–	–	–	777,543	777,543	–	–	–	–	847,504	847,504
Financial liabilities at fair value through profit or loss	352,889	–	–	–	–	352,889	493,700	–	–	–	–	493,700
Bonds and notes issued	–	–	–	–	16,425,832	16,425,832	–	–	–	–	14,946,363	14,946,363
Other liabilities, Note 13(a)	1,482,466	–	–	–	4,237,881	5,720,347	1,040,282	–	–	–	3,206,544	4,246,826
	1,835,355	–	–	–	193,503,006	195,338,361	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 main responsibilities are to review: (i) the main indicators of Operational Risk of the companies of the Credicorp Group and (ii), the progress of the methodologies deployed for Operational Risk and Business Continuity. Likewise, to 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. Operate on a functional scheme of Government, Prevention, Detection, Response and recovery applying strategies with support of internal and external capacities and a solid network of contacts.

Non-financial Risks Division -

The Non-financial Risk 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.

The Non-financial Risk Division was created on February 2020 and is composed by the following areas: Cybersecurity Management Area, Corporate Security and Operational Risk Management Area.

It is important to note that the Cybersecurity Management Area and Corporate Security were already in place by December 31, 2019.

(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 September 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 September 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	67,614,303	6,068,544	–	73,682,847	56,270,934	2,948,066	–	59,219,000
Past due but not impaired	461,258	239,671	–	700,929	815,751	250,311	–	1,066,062
Impaired	–	–	4,463,196	4,463,196	–	–	2,812,011	2,812,011
Gross	68,075,561	6,308,215	4,463,196	78,846,972	57,086,685	3,198,377	2,812,011	63,097,073
Less: Allowance for loan losses	594,743	645,710	1,502,149	2,742,602	416,692	161,190	982,950	1,560,832
Total, net	67,480,818	5,662,505	2,961,047	76,104,370	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	17,083,104	1,099,287	–	18,182,391	17,477,899	507,910	–	17,985,809
Past due but not impaired	473,349	203,096	–	676,445	424,741	270,792	–	695,533
Impaired	–	–	1,112,445	1,112,445	–	–	994,479	994,479
Gross	17,556,453	1,302,383	1,112,445	19,971,281	17,902,640	778,702	994,479	19,675,821
Less: Allowance for loan losses	109,063	135,569	605,221	849,853	43,217	25,710	472,718	541,645
Total, net	17,447,390	1,166,814	507,224	19,121,428	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	13,044,461	7,586,177	–	20,630,638	13,363,213	1,535,064	–	14,898,277
Past due but not impaired	76,127	477,214	–	553,341	301,879	299,700	–	601,579
Impaired	–	–	1,634,806	1,634,806	–	–	1,253,969	1,253,969
Gross	13,120,588	8,063,391	1,634,806	22,818,785	13,665,092	1,834,764	1,253,969	16,753,825
Less: Allowance for loan losses	532,797	1,471,430	1,256,211	3,260,438	515,662	249,457	931,587	1,696,706
Total, net	12,587,791	6,591,961	378,595	19,558,347	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	9,256,137	2,576,024	–	11,832,161	12,108,752	1,932,209	–	14,040,961
Past due but not impaired	189,945	422,115	–	612,060	203,147	278,295	–	481,442
Impaired	–	–	1,206,471	1,206,471	–	–	758,836	758,836
Gross	9,446,082	2,998,139	1,206,471	13,650,692	12,311,899	2,210,504	758,836	15,281,239
Less: Allowance for loan losses	623,104	1,099,029	1,081,357	2,803,490	263,788	431,433	629,558	1,324,779
Total, net	8,822,978	1,899,110	125,114	10,847,202	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)	108,198,684	18,672,128	8,416,918	135,287,730	100,966,316	8,022,347	5,819,295	114,807,958
Total allowance for loan losses, Note 7(a)	1,859,707	3,351,738	4,444,938	9,656,383	1,239,359	867,790	3,016,813	5,123,962
Total net direct credits	106,338,977	15,320,390	3,971,980	125,631,347	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 September 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	4,463,196	1,112,445	1,634,806	1,206,471	8,416,918	2,812,011	994,479	1,253,969	758,836	5,819,295
Fair value of collateral	3,859,127	959,957	388,856	211,904	5,419,844	2,491,069	864,473	330,347	193,319	3,879,208
Allowance for loan losses	1,502,149	605,221	1,256,211	1,081,357	4,444,938	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 September 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	124,327,727	–	–	311	124,328,038	311	106,143,943	–	–	103	106,144,046	103
Past due but not impaired	2,435	–	2,217,719	322,621	2,542,775	2,540,340	(30)	–	2,569,349	275,296	2,844,615	2,844,645
Impaired debt	–	3,970,241	618,288	3,828,388	8,416,917	4,446,677	–	2,274,182	515,628	3,029,487	5,819,297	3,545,115
Total	124,330,162	3,970,241	2,836,007	4,151,320	135,287,730	6,987,328	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 September 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	73,684,973	2,675,484	804,669	1,681,846	78,846,972	59,218,904	1,460,816	1,027,177	1,390,176	63,097,073
Residential mortgage loans	18,182,392	392,109	808,042	588,738	19,971,281	17,985,809	284,279	868,087	537,646	19,675,821
Small and microenterprise loans	20,630,636	462,853	532,892	1,192,404	22,818,785	14,898,270	247,076	635,436	973,043	16,753,825
Consumer loans	11,832,161	439,795	690,404	688,332	13,650,692	14,040,930	282,011	554,277	404,021	15,281,239
Total	124,330,162	3,970,241	2,836,007	4,151,320	135,287,730	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.

Expected losses are a weighted estimate of three macroeconomic scenarios: base, optimistic and pessimistic and are calculated with macroeconomic projections provided by the team from Economic Studies. The local and international information flows available during the analysis period are used to feed projections, which reflect the fact that Peru is a small and open economy and in this context, approximately 60.0 percent of the volatility in economic growth is driven by external factors including: terms of trade; the growth of Peru's trading partners; and external interest rates. Information on each of these factors is gathered to construct each scenario for the next three years.

The variables mentioned above, together with local variables (fiscal and monetary variables), are incorporated in the economic models. Two types of models are used in this regard:

i) Structural Projection Model, and
ii) Financial Programming Model.

The first is a dynamic stochastic general equilibrium model, which is constructed with expectations. The second is built with the main identities of national accounts in accordance with the financial programming methodology designed by IMF (International Monetary Fund) and the methodologies used by a battery of econometric models.

Through this process, we obtain figures for GDP growth, inflation, the reference rate, exchange rate and other variables for the years 2020, 2021 and 2022. It is important to note that we expect a contraction in GDP in 2020 of 12.5 percent in the base scenario. This reflects a revision with regard to the projection registered in May (GDP 2020: (11.0) percent) given that going forward, recovery is expected to be more gradual than initially thought:

i) "Wait-and-see" environment in private investment before the general elections in April,2021 and growing regulatory risks from Congress.
ii) Unwanted inventories still high, and
iii) Severe deterioration in the labor market.

It is important to mention that these projections do not assume that mobility may be restricted if Peru suffers a second wave of infections.

For 2021, we project that GDP will expand 9.0 percent. This estimate represents an improvement over the projection made in May 2020 (GDP 2021: 6.5 percent) that was driven by the following:

i) Growth in world economic activity of around 4.6 percent (2020: (4.8) percent).
ii) Improvement in private spending (private investment and private consumption around 22.0 percent (2020: (28.5) percent) and 7.0 percent (2020: (9.5) percent), respectively.
iii) On the sectoral side, we expect mining to rebound around 11.0 percent (2020: (14) percent) and construction, 16.0 percent (2020: (18.0) percent), and
iv) Strong rise in the terms of trade.

It is expected that it will take the economy until 2022 to reach the levels recorded in 2019 (pre-pandemic). In this scenario, growth is expected to situate at 4.0 percent in 2022. This projection is slightly higher than that made in May 2020, when growth of 3.8 percent was expected.

Regarding the probabilities of each scenario, probabilities of 80.0 percent, 15.0 percent and 5.0 percent were considered for the base, optimistic and pessimistic scenarios respectively. The expected value of the three GDP projections gives us a drop of 12.5 percent for 2020. For 2021 and 2022 (the models do not contemplate a scenario of economic crisis due to COVID-19), the probability is 50.0 percent in the base scenario and 25.0 percent for the optimistic and pessimistic scenarios. The probabilities assigned to each scenario and projection year are validated through a fan chart analysis, which uses a probability function to identify and analyze:

i) The central tendency of the projections.
ii) The dispersion that is expected around this value, and
iii) The values that are higher or lower than the central value that are more or less probable.

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 September 30, 2020	**Balance As of December 31, 2019**
	S/(000)	**S/(000)**
Carrying amount	10,159,590	5,507,759
Scenarios:		
Optimistic	9,853,395	5,426,608
Base Case	10,185,655	5,509,729
Pessimistic	10,567,931	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 September 30, 2020		As of December 31, 2019	
	S/(000)	**%**	**S/(000)**	**%**
Instruments rated in Peru:				
AAA	1,325,238	2.6	1,621,270	4.8
AA- a AA+	1,916,862	3.7	1,853,042	5.5
A- to A+ (*)	1,270,279	2.5	8,970,590	26.8
BBB- to BBB+ (*)	15,670,941	30.3	1,874,556	5.6
BB- to BB+	855,848	1.7	517,146	1.5
Unrated:				
BCRP certificates of deposit (**)	16,032,890	31.0	8,665,272	25.8
Listed and unlisted securities	522,519	1.0	573,485	1.7
Restricted mutual funds	436,059	0.8	460,086	1.4
Investment funds	158,541	0.3	102,085	0.3
Mutual funds	212,221	0.4	291,024	0.9
Other instruments	202,144	0.4	264,497	0.8
Subtotal	38,603,542	74.7	25,193,053	75.1
Instruments rated abroad:				
AAA	1,617,336	3.1	657,787	2.0
AA- a AA+	1,023,439	2.0	854,501	2.5
A- to A+	1,940,551	3.8	1,581,995	4.7
BBB- to BBB+	4,334,376	8.4	2,974,639	8.9
BB- to BB+	1,531,919	3.0	996,917	3.0
Lower and equal to +B	116,203	0.2	54,316	0.2
Unrated:				
Listed and unlisted securities	219,690	0.4	88,799	0.3
Participations of RAL funds	262,808	0.5	300,398	0.9
Mutual funds	1,427,402	2.8	302,528	0.9
Investment funds	150,736	0.3	294,158	0.9
Hedge funds	85,046	0.2	33,223	0.1
Other instruments	335,938	0.6	198,217	0.5
Subtotal	13,045,444	25.3	8,337,478	24.9
Total	51,648,986	100.0	33,530,531	100.0

(*) The variation of the balances is due to the fall in the rating mainly of sovereign bonds of the Peruvian Treasury, whose rating as of September 30, 2020 is BBB+ and as of December 31, 2019 was A-; due to the situation of COVID-19. See more details in Note 2(b).

(**) The increase in the balance is due to the acquisition of new instruments, see more details in Notes 6(a)(ii) and 6(b)(ii).

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

	As of September 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 (**)	1,609,391	–	25,953,103	14,426,655	41,989,149	–	–	21,166,346	8,665,272	29,831,618
Financial services	3,774,472	151,087	15,606,828	5,317,331	24,849,718	2,856,512	237,240	13,281,408	2,883,301	19,258,461
Commerce	39,892	–	21,880,245	445,963	22,366,100	21,228	12,468	12,636,843	452,214	13,122,753
Manufacturing	217,471	123,658	18,226,435	2,431,380	20,998,944	202,554	36,686	15,608,834	1,225,118	17,073,192
Government and public administration	1,864,175	1,173	4,758,519	12,271,577	18,895,444	1,581,527	12,994	3,985,158	7,170,624	12,750,303
Mortgage loans	–	–	18,776,389	–	18,776,389	–	–	18,985,407	–	18,985,407
Consumer loans	–	–	12,330,205	–	12,330,205	–	–	14,809,503	–	14,809,503
Real estate and leasing	86,457	3,608	10,840,597	155,113	11,085,775	43,203	125,201	7,158,667	1,276,941	8,604,012
Communications, storage and transportation	45,258	252,992	6,907,491	851,617	8,057,358	17,306	59,392	4,421,095	1,071,335	5,569,128
Micro-business loans	–	–	7,385,984	–	7,385,984	–	–	13,902,760	–	13,902,760
Community services	65	–	6,595,624	–	6,595,689	–	–	4,858,427	5,798	4,864,225
Electricity, gas and water	197,320	82,155	3,687,891	2,230,488	6,197,854	91,055	50,929	3,014,319	2,286,932	5,443,235
Agriculture	7,962	–	3,815,753	13,472	3,837,187	1,963	–	3,050,141	17,887	3,069,991
Mining	65,990	–	3,415,239	295,748	3,776,977	41,687	27,875	3,195,049	146,362	3,410,973
Construction	35,210	–	3,338,474	329,339	3,703,023	20,847	3,967	2,089,164	322,864	2,436,842
Education, health and others	15,109	114,386	1,685,758	1,877,021	3,692,274	4,543	53,792	1,364,542	644,143	2,067,020
Insurance	11,191	–	1,681,897	899	1,693,987	5,100	–	123,771	986	129,857
Fishing	977	–	568,641	8,538	578,156	321	–	417,067	–	417,388
Others	63,178	–	5,788,137	57,690	5,909,005	55,023	–	4,036,066	32,946	4,124,035
Total	8,034,118	729,059	173,243,210	40,712,831	222,719,218	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.

(**) The variation of the balance corresponds mainly to (i) the purchase of Certificates of deposit BCRP and (ii) the increase of deposits with Central Reserve Bank of Peru; see more details in Notes 6(a)(ii) and 6(b)(ii), and Note 4(b), respectively.

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

	As of September 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 (**)	3,023,247	59,618	154,355,991	31,577,461	189,016,317	688,099	138,293	130,436,702	20,674,142	151,937,236
Bolivia	484,866	–	10,236,077	687,219	11,408,162	494,547	–	9,218,219	555,028	10,267,794
United States of America	457,563	412,129	1,525,375	4,971,397	7,366,464	568,588	275,991	982,944	2,770,903	4,598,426
Colombia	1,348,803	9,698	2,590,687	1,041,107	4,990,295	1,346,042	21,289	2,627,353	385,794	4,380,478
Chile	440,391	9,746	1,776,232	692,308	2,918,677	683,822	34,606	2,047,951	450,382	3,216,761
Brazil	70,459	–	620,395	74,416	765,270	6,023	5,867	485,594	40,472	537,956
Panama	39,681	–	528,392	128,213	696,286	–	–	905,675	91,571	997,246
Mexico	89,043	62,309	3,405	331,379	486,136	28,846	18,093	5,962	247,713	300,614
Canada	23,647	371	71,233	113,555	208,806	29,976	–	109,233	108,494	247,703
Europe:										
Others in Europe (***)	1,210,550	22,099	601,837	39,063	1,873,549	127,915	17,184	83,979	46,331	275,409
France	596,218	20,567	8,889	138,445	764,119	227,823	8,850	27,244	169,632	433,549
United Kingdom	37,725	17,269	290,528	98,432	443,954	189,658	14,950	273,477	80,965	559,050
Spain	20,447	–	46,414	73,854	140,715	11,105	–	32,836	32,366	76,307
Switzerland	815	1,313	45,435	43,188	90,751	514	–	980	26,136	27,630
Netherlands	1,225	1,963	5,109	80,705	89,002	–	–	26,024	108,343	134,367
Others	189,438	111,977	537,211	622,089	1,460,715	539,911	85,421	840,394	414,451	1,880,177
Total	8,034,118	729,059	173,243,210	40,712,831	222,719,218	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.

(**) The increase of the balance as of September 30, 2020 compared to December 31, 2019 corresponds mainly to the following: (i) increase of the credits, see Note 7(a), and (ii) purchase of the Certificates of deposit BCRP and Peruvian treasury bonds, see Note 6(b)(ii) and (iii).

(***)The increase of the balance as of September 30, 2020 compared to December 31, 2019 corresponds mainly to the purchase of new participations in Luxembourg's mutual funds. See Note 6(a)(i).

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 118 market risk factors, which are detailed below; 23 market curves, 68 stock prices, 23 mutual fund values and 4 series of volatility. 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 at September 30, 2020, by Interest Rate and Price effect due to the increase in the Fixed Income position, mainly in Atlantic Security Bank and Credicorp Capital subsidiaries; in addition to 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 September 30, 2020 and December 31, 2019, the Group's VaR by risk type is as follows:

	As of September 30, 2020	**As of December 31, 2019**
	S/(000)	**S/(000)**
Interest rate risk	145,521	9,274
Price risk	31,521	7,809
Volatility risk	1,700	463
Diversification effect	(56,958)	(6,245)
Consolidated VaR by type of risk	121,784	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, Bancompartir, 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 September 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	20,391,476	978,484	2,595,205	6,864,312	348,160	6,781,438	37,959,075
Investments	3,864,598	8,140,324	5,174,660	7,373,181	19,924,484	513,059	44,990,306
Loans, net	11,539,475	15,140,072	29,209,165	54,838,162	15,857,443	(91,989)	126,492,328
Financial assets designated at fair value through profit or loss	–	–	–	–	–	729,059	729,059
Premiums and other policies receivable	767,244	21,640	8,042	4,554	–	–	801,480
Accounts receivable from reinsurers and coinsurers	676	137,263	692,981	1,570	549	–	833,039
Other assets (*)	208,036	–	–	–	61,112	2,643,700	2,912,848
Total assets	36,771,505	24,417,783	37,680,053	69,081,779	36,191,748	10,575,267	214,718,135
Liabilities							
Deposits and obligations	37,640,008	11,392,287	18,048,911	58,668,424	8,932,121	2,520,923	137,202,674
Payables from repurchase agreements and securities lending	1,735,391	1,483,306	7,105,114	21,009,831	2,967,395	79,607	34,380,644
Accounts payable to reinsurers and coinsurers	47,322	137,209	26,497	11,166	–	–	222,194
Technical reserves for claims and insurance premiums	281,135	770,499	1,289,357	2,979,777	5,463,846	309,234	11,093,848
Financial liabilities at fair value through profit or loss	–	–	–	–	–	352,889	352,889
Bonds and Notes issued	397,168	423,955	1,047,698	14,047,807	403,846	105,358	16,425,832
Other liabilities (**)	600,278	345,479	13,201	–	–	3,639,303	4,598,261
Equity	–	–	–	–	–	24,066,770	24,066,770
Total liabilities and equity	40,701,302	14,552,735	27,530,778	96,717,005	17,767,208	31,074,084	228,343,112
Off-balance-sheet accounts							
Derivative financial assets	741,733	1,058,080	957,229	357,915	–	–	3,114,957
Derivative financial liabilities	118,692	360,813	1,336,502	1,038,823	238,600	–	3,093,430
	623,041	697,267	(379,273)	(680,908)	(238,600)	–	21,527
Marginal gap	(3,306,756)	10,562,315	9,770,002	(28,316,134)	18,185,940	(20,498,817)	(13,603,450)
Accumulated gap	(3,306,756)	7,255,559	17,025,561	(11,290,573)	6,895,367	(13,603,450)	–

(*) 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 September 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 September 30, 2020 and December 31, 2019, are presented below:

As of September 30, 2020

Currency	**Changes in basis points**		**Sensitivity of net profit**		**Sensitivity of Net Economic Value**	
			S/(000)		**S/(000)**	
Soles	+/-	50	-/+	3,092	-/+	643,413
Soles	+/-	75	-/+	4,637	-/+	965,119
Soles	+/-	100	-/+	6,183	-/+	1,286,825
Soles	+/-	150	-/+	9,275	-/+	1,930,238
U.S. Dollar	+/-	50	+/-	50,105	+/-	84,586
U.S. Dollar	+/-	75	+/-	75,157	+/-	126,879
U.S. Dollar	+/-	100	+/-	100,209	+/-	169,172
U.S. Dollar	+/-	150	+/-	150,314	+/-	253,758

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 September 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 September 30, 2020**	**As of December 31, 2019**
	%	**S/(000)**	**S/(000)**
Equity securities	+/-10	51,306	57,920
Equity securities	+/-25	128,265	144,800
Equity securities	+/-30	153,918	173,760

Funds

Measured at fair value through profit or loss	**Change in market prices**	**As of September 30, 2020**	**As of December 31, 2019**
	%	**S/(000)**	**S/(000)**
Participation in mutual funds	+/-10	163,537	59,127
Participation in mutual funds	+/-25	408,844	147,818
Participation in mutual funds	+/-30	490,612	177,381
Restricted mutual funds	+/-10	43,606	46,009
Restricted mutual funds	+/-25	109,015	115,022
Restricted mutual funds	+/-30	130,818	138,026
Participation in RAL funds	+/-10	26,281	30,040
Participation in RAL funds	+/-25	65,702	75,100
Participation in RAL funds	+/-30	78,842	90,119
Investment funds	+/-10	30,936	30,576
Investment funds	+/-25	77,340	76,440
Investment funds	+/-30	92,809	91,728
Hedge funds	+/-10	8,505	3,364
Hedge funds	+/-25	21,261	8,410
Hedge funds	+/-30	25,514	10,092
Exchange Trade Funds	+/-10	1,899	1,360
Exchange Trade Funds	+/-25	4,747	3,399
Exchange Trade Funds	+/-30	5,696	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 September 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/3.597 (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 September 30, 2020 and December 31, 2019, the Group's assets and liabilities by currencies were as follows:

	As of September 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	8,733,576	24,778,463	1,625,920	35,137,959	3,960,190	20,762,648	1,263,924	25,986,762
Cash collateral, reverse repurchase agreements and securities borrowing	–	2,478,385	342,731	2,821,116	150,009	3,389,090	749,425	4,288,524
Investments:								
At fair value through profit or loss	852,384	3,980,373	1,825,923	6,658,680	800,370	1,053,925	1,996,467	3,850,762
At fair value through other comprehensive income	29,304,752	9,705,145	1,189,877	40,199,774	18,221,102	6,869,840	532,582	25,623,524
At amortized cost	4,157,623	93,668	26,184	4,277,475	3,355,579	100,299	21,168	3,477,046
Loans, net	83,670,325	34,155,495	8,666,508	126,492,328	66,737,870	35,598,141	8,149,706	110,485,717
Financial assets designated at fair value through profit or loss	20,166	708,893	–	729,059	44,223	576,321	–	620,544
Other assets	1,615,034	4,167,961	742,055	6,525,050	2,072,867	2,142,237	678,111	4,893,215
Total monetary assets	128,353,860	80,068,383	14,419,198	222,841,441	95,342,210	70,492,501	13,391,383	179,226,094
Monetary liabilities								
Deposits and obligations	(73,466,532)	(53,992,382)	(9,743,760)	(137,202,674)	(56,769,748)	(46,319,179)	(8,916,458)	(112,005,385)
Payables from repurchase agreements and securities lending	(25,617,148)	(253,653)	(1,908,121)	(27,778,922)	(5,068,896)	(734,441)	(1,874,679)	(7,678,016)
Due to bank and correspondents	(4,168,311)	(2,067,691)	(365,720)	(6,601,722)	(3,798,717)	(4,709,610)	(333,405)	(8,841,732)
Lease liabilities	(270,538)	(422,073)	(84,932)	(777,543)	(162,103)	(605,036)	(80,365)	(847,504)
Financial liabilities at fair value through profit or loss	(19,769)	(267,110)	(66,010)	(352,889)	–	(94,475)	(399,225)	(493,700)
Technical reserves for claims and insurance	(5,901,228)	(5,176,299)	(16,321)	(11,093,848)	(5,642,772)	(4,301,468)	(5,993)	(9,950,233)
Bonds and notes issued	(3,850,056)	(12,294,720)	(281,056)	(16,425,832)	(4,028,893)	(10,660,989)	(256,481)	(14,946,363)
Other liabilities	(3,006,974)	(3,344,102)	(1,034,874)	(7,385,950)	(3,541,350)	(1,951,682)	(874,416)	(6,367,448)
Total monetary liabilities	(116,300,556	(77,818,030)	(13,500,794)	(207,619,380)	(79,012,479)	(69,376,880)	(12,741,022)	(161,130,381)
	12,053,304	2,250,353	918,404	15,222,061	16,329,731	1,115,621	650,361	18,095,713
Forwards position, net	1,459,716	(1,647,685)	178,994	(8,975)	1,534,948	(1,351,414)	(116,899)	66,635
Currency swaps position, net	783,581	(81,850)	–	701,731	281,672	(281,672)	–	–
Cross currency swaps position, net	(1,243,886)	606,907	(291,324)	(928,303)	(787,355)	692,525	(57,715)	(152,545)
Options, net	578,712	(578,712)	–	–	25,071	(25,071)	–	–
Net monetary position	13,631,427	549,013	806,074	14,986,514	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 September 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 September 30, 2020**	**As of December 31, 2019**
	%	**S/000**	**S/000**
Depreciation -			
Soles in relation to U.S. Dollar	5	(11,439)	7,142
Soles in relation to U.S. Dollar	10	(21,838)	13,635
Appreciation -			
Soles in relation to U.S. Dollar	5	12,643	(7,894)
Soles in relation to U.S. Dollar	10	26,691	(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, Bancompartir 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 September 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	40,119,363	24,829,725	46,626,108	92,682,146	48,948,250	253,205,592	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	39,170,825	12,350,993	20,619,539	56,981,974	9,573,515	138,696,846	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	1,870,442	1,598,740	7,658,047	22,644,855	3,198,323	36,970,407	3,917,690	1,827,617	1,928,676	1,964,421	8,143,235	17,781,639
Accounts payable to reinsurers	47,322	137,209	26,497	11,166	–	222,194	46,144	133,864	25,838	10,888	–	216,734
Financial liabilities designated at fair value through profit or loss	352,889	–	–	–	–	352,889	493,700	–	–	–	–	493,700
Bonds and notes issued	570,943	44,580	1,647,753	15,936,538	376,451	18,576,265	549,434	149,009	2,138,869	11,255,465	2,709,880	16,802,657
Lease liabilities	41,250	31,825	106,430	425,798	183,004	788,307	10,857	21,751	96,013	434,797	468,213	1,031,631
Other liabilities	1,951,660	381,546	947,193	1,448,108	1,448,971	6,177,478	2,719,050	285,956	347,590	217,701	1,200,736	4,771,033
Total liabilities	44,005,331	14,544,893	31,005,459	97,448,439	14,780,264	201,784,386	40,793,168	13,297,580	26,545,038	56,148,578	22,342,113	159,126,477
Derivative financial liabilities -												
Contractual amounts receivable (Inflows)	921,701	1,224,037	1,413,463	928,637	989,719	5,477,557	921,774	722,448	1,244,120	966,488	966,870	4,821,700
Contractual amounts payable (outflows)	177,127	108,615	425,061	897,949	936,916	2,545,668	501,611	435,484	787,985	1,224,424	983,394	3,932,898
Total liabilities	744,574	1,115,422	988,402	30,688	52,803	2,931,889	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. This definition excludes strategic and reputational risk (with the exception of companies under Colombian regulations, where reputational risk is included in operational risk).

Operational risks are classified as 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.

Information security management 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, confidentiality and integrity of the information assets of the organization.

34.5 Risk of the insurance activity -

The main 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 and severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that enough reserves are available to cover these liabilities.

The aforementioned risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also softened by a 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 September 30, 2020 and December 31, 2019, the regulatory capital for the Subsidiaries engaged in financial and insurance activities amounted to approximately S/28,359.2 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/8,987.9 million the minimum regulatory capital required as of September 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 interim condensed consolidated statement of financial position:

		As of September 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		–	369,929	–	369,929	–	411,656	–	411,656
Interest rate swaps		–	768,823	–	768,823	–	269,219	–	269,219
Foreign currency forwards		–	191,869	–	191,869	–	306,148	–	306,148
Cross currency swaps		–	33,034	–	33,034	–	98,585	–	98,585
Foreign exchange options		–	3,552	–	3,552	–	6,489	–	6,489
Futures		–	8,231	–	8,231	–	10	–	10
	13(b)	–	1,375,438	–	1,375,438	–	1,092,107	–	1,092,107
Investments at fair value through profit of loss	6(a)	3,738,647	2,268,784	651,249	6,658,680	2,320,141	786,477	744,144	3,850,762
Financial assets at fair value through profit of loss	8	685,639	43,420	–	729,059	558,471	62,073	–	620,544
Investments at fair value through other comprehensive income:									
Debt Instruments									
Corporate bonds		4,273,249	7,507,841	–	11,781,090	3,171,451	5,621,363	939	8,793,753
Certificates of deposit BCRP		–	14,426,656	–	14,426,656	–	8,665,272	–	8,665,272
Government treasury bonds		11,105,830	765,448	–	11,871,278	6,194,116	620,465	–	6,814,581
Securitization instruments		–	782,755	–	782,755	–	629,818	–	629,818
Negotiable certificates of deposit		–	973,076	–	973,076	–	377,296	–	377,296
Subordinated bonds		39,805	139,634	–	179,439	29,778	135,609	–	165,387
Other instruments		–	185,480	–	185,480	–	177,417	–	177,417
Equity instruments		183,750	314,557	14,750	513,057	239,555	320,579	19,065	579,199
	6(b)	15,602,634	25,095,447	14,750	40,712,831	9,634,900	16,547,819	20,004	26,202,723
Total financial assets		20,026,920	28,783,089	665,999	49,476,008	12,513,512	18,488,476	764,148	31,766,136
Financial liabilities									
Derivatives financial instruments:									
Interest rate swaps		–	944,580	–	944,580	–	365,774	–	365,774
Currency swaps		–	228,108	–	228,108	–	366,545	–	366,545
Foreign currency forwards		–	220,648	–	220,648	–	246,960	–	246,960
Cross currency swaps		–	69,428	–	69,428	–	54,775	–	54,775
Foreign exchange options		–	10,668	–	10,668	–	6,089	–	6,089
Futures		–	9,034	–	9,034	–	139	–	139
	13(b)	–	1,482,466	–	1,482,466	–	1,040,282	–	1,040,282
Financial liabilities at fair value through profit or loss		–	352,889	–	352,889	–	493,700	–	493,700
Total financial liabilities		–	1,835,355	–	1,835,355	–	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 September 30, 2020, the balance of receivables and payables corresponding to derivatives amounted to S/1,375.4 million and S/1,482.5 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 September 30, 2020 and December 31, 2019, the net unrealized loss of Level 3 financial instruments amounted to S/6.7 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 interim condensed consolidated statement of financial position by level of the fair value hierarchy:

	As of September 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	–	35,137,959	–	35,137,959	35,137,959	–	25,986,762	–	25,986,762	25,986,762
Cash collateral, reverse repurchase agreements and securities borrowing	–	2,821,116	–	2,821,116	2,821,116	–	4,288,524	–	4,288,524	4,288,524
Investments at amortized cost	4,584,345	116,961	–	4,701,306	4,277,475	3,772,509	124,222	–	3,896,731	3,477,046
Loans, net	–	126,492,328	–	126,492,328	126,492,328	–	110,485,717	–	110,485,717	110,485,717
Premiums and other policies receivable	–	801,480	–	801,480	801,480	–	838,731	–	838,731	838,731
Accounts receivable from reinsurers and coinsurers	–	833,039	–	833,039	833,039	–	791,704	–	791,704	791,704
Due from customers on acceptances	–	256,238	–	256,238	256,238	–	535,222	–	535,222	535,222
Other assets	–	2,623,575	–	2,623,575	2,623,575	–	1,700,861	–	1,700,861	1,700,861
Total	4,584,345	169,082,696	–	173,667,041	173,243,210	3,772,509	144,751,743	–	148,524,252	148,104,567
Liabilities										
Deposits and obligations	–	137,202,674	–	137,202,674	137,202,674	–	112,005,385	–	112,005,385	112,005,385
Payables on repurchase agreements and securities lending	–	27,778,922	–	27,778,922	27,778,922	–	7,678,016	–	7,678,016	7,678,016
Due to Banks and correspondents and other entities	–	6,827,450	–	6,827,450	6,601,722	–	9,032,177	–	9,032,177	8,841,732
Banker's acceptances outstanding	–	256,238	–	256,238	256,238	–	535,222	–	535,222	535,222
Payable to reinsurers and coinsurers	–	222,194	–	222,194	222,194	–	216,734	–	216,734	216,734
Lease liabilities	–	777,543	–	777,543	777,543	–	847,504	–	847,504	847,504
Bond and notes issued	–	17,352,053	–	17,352,053	16,425,832	–	15,638,835	–	15,638,835	14,946,363
Other liabilities	–	4,237,881	–	4,237,881	4,237,881	–	3,206,544	–	3,206,544	3,206,544
Total	–	194,654,955	–	194,654,955	193,503,006	–	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 September 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 September 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 September 30, 2020	**As of December 31, 2019**
Pension funds	45,997	53,912
Investment funds and mutual funds	45,622	43,635
Equity managed	21,332	18,387
Bank trusts	4,673	4,834
Total	117,624	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.

The Peruvian Superintendencia de Banca, Seguros y AFPs (SBS for its Spanish acronym) conducted a special analysis regarding the political contributions case at three subsidiaries of Credicorp (BCP Stand-alone, Mibanco and Grupo Pacifico), with which these subsidiaries have cooperated. The SBS has initiated a sanctioning process against BCP on August 5, 2020. BCP responded on August 25, 2020. The SBS resolution is currently pending. The SBS may impose pecuniary sanctions (fines) on BCP as a consequence of this sanctioning process.

Credicorp believes that neither the contributions disclosed by our former Chairman and our current Vice Chairman in recent months nor the related SMV and SBS 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 October 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.

a) Merger of Banco Compartir S.A and Edyficar S.A.S. -

At the General Shareholders' Meeting - Extraordinary Meeting held on August 03, 2020, the shareholders of Edyficar S.A.S. and Banco Compartir S.A. approved the legal merger of Banco Compartir S.A. This operation was authorized by the Superintendency of Colombian Bank through Resolution N°756 of August 26, 2020. Also, October 30,2020, Banco Compartir S.A. (absorbing entity) acquired all the assets, liabilities, rights and obligations of Edyficar S.A.S. (absorbed entity). Likewise, both entities agreed that, from the date of the merger, the legal name of the new merged entity will be “Mibanco - Banco de la Microempresa de Colombia S.A.”.

b) Political situation of Peru -

On November 09,2020, Congress impeached President Martín Alberto Vizcarra Cornejo on grounds of “permanent moral incapacity” for having allegedly accepted bribes for infrastructure projects dating from years 2011 to 2014, when he was of Moquegua’s Regional Governor. On November 10th, in accordance with the rules of ascension outlined in the Peru Constitution, Manuel Arturo Merino de Lama, the president of congress, took office as Interim President and chose a new cabinet of ministers.

Acceptance of the impeachment process and the interim government was low and massive protests rolled out throughout the country. Although the majority of protestors acted pacifically, some clashes took place with police, leaving two students dead and dozens injured. On November 15, 2020, interim President Manuel Arturo Merino de Lama resigned. On November 16, 2020, Congress voted to elect a new President of Congress. Dr. Francisco Rafael Sagasti Hochhausler was chosen to preside over the legislature, and as such was next in line to assume the Presidency of the Republic. On November 17, 2020, Mr. Sagasti was sworn in to lead the transitional government. It is important to note that general elections will be held in April 2021 and newly elected officials will assume office in July 2021.

Mr. Sagasti is an academic and consultant and a member of “Partido Morado,” a center-right political party. He voted against the impeachment of former president Martin Vizcarra and against proposals for additional pension fund withdrawals. Mr. Sagasti holds a Bachelor of Industrial Engineering from the National University of Engineering of Peru; a Master’s of Industrial Engineering from Pennsylvania State University; and a PhD in Operational Research and Social Systems Sciences from the University of Pennsylvania. Mr. Sagasti has promised that transparent elections will be held in April 2021. The top priorities of his transitional government are:

i) Fighting the pandemic.
ii) Economic growth and responsible management of public finance.
iii) Education recovery, and
iv) Fighting corruption.

On November 18, 2020, the new ministerial cabinet assumed its duties. Violeta Bermúdez Valdivia will preside over the cabinet as Prime Minister. She is an attorney whose areas of interest include human rights, democratic institutions and vulnerable populations. Waldo Epifanio Mendoza Bellido was appointed Minister of Economy and Finance. Previously, he was vice minister of public finance and president of the fiscal committee. This appointment should guarantee macro-fiscal stability. The new cabinet is highly diverse and balanced and is expected to generate consensus while coordinating with different political parties during the transition period.

On November 16, 2020, the Constitutional Court declared that the suit filed by the Executive to determine Congress’s competence to impeach the President for permanent moral incapacity was unfounded. It is important to note that despite periods of uncertainty and changes in the political environment, Peru’s economy followed an upward trajectory for nearly 30 years, growing 6-fold. Prior to Covid-19, it was one of the fastest growing economies in the region. Although recent political events will generate uncertainty in the short term, the country’s strong fundamentals are intact:

i) An independent Central Bank
ii) Low public debt
iii) Market openness and free trade agreements in place
iv) Current economic model is stated in Peru's Political constitution: Central Bank independence, free capital flow, non-discrimination policy for foreign investors, etc.

c) Regulatory Environment

A law was published on November 16, 2020 that allows affiliates to withdraw up to S/17,200 from their pension funds. It is expected that up to S/14,000 million will be withdrawn from the system starting on January 2021.

In the first round of withdrawals, made between May and July of 2020, Prima assets under management (AUMs) contracted S/7.5 billion, which represented around 70.0 percent of total funds that were available for withdrawal. With the recent approved law, Prima's AUMs are expected to drop an additional 3.0 billion soles.