Translation of independent auditors' report and financial statements originally issued in Spanish - Note 27

Banco de la Nación

Financial statements as of December 31, 2019 and 2018, together with the independent auditors' report

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Paredes, Burga & Asociados S. Civil de R.L.

Translation of independent auditors' report and financial statements originally issued in Spanish - Note 27

Banco de la Nación

Financial statements as of December 31, 2019 and 2018, together with the independent auditors' report

Content

Paredes, Burga & Asociados S. Civil de R.L.

Paredes, Burga & Asociados
Sociedad Civil de Responsabilidad Limitada

Translation of independent auditors' report originally issued in Spanish - Note 27

Independent auditors' report

To the Board of Directors of Banco de la Nación

We have audited the accompanying financial statements of Banco de la Nación, which comprise the statements of financial position as of December 31, 2019, as well as the related statements of comprehensive income, statements of changes in shareholders' equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting standards prescribed by the Superintendencia de Banca, Seguros y AFP (Superintendence of Banking, Insurance and Private Pension Funds Administrators) for Peruvian financial entities, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our audit was conducted in accordance with International Standards on Auditing as adopted for use in Peru by the Board of Peruvian Associations of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

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

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Translation of independent auditors' report originally issued in Spanish - Note 27

Independent auditors' report (continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Banco de la Nación, as of December 31, 2019, as well as its financial performance and cash flows for the year then ended in accordance with accounting standards prescribed by the Superintendencia de Banca, Seguros y AFP (SBS) for Peruvian financial entities, see note 2.

Emphasis of matter

Without modifying our opinion, as indicated in note 26 to the accompanying financial statements, as a result of COVID-19 outbreak and the declaration of the Nationwide State of Emergency, effective until June 30, 2020, Peruvian and world economy have been negatively impacted significantly. In this sense, the Bank's Management is constantly evaluating the operational and financial measures to be taken, in order to mitigate the effects from both the COVID-19 outbreak and Supreme Decrees issued by the Peruvian Government in this context.

The accompanying financial statements have been prepared considering strategies established by the Bank's Management to face the described situation; as well as the continuous support of the Ministerio de Economía y Finanzas (Ministry of Economy and Finance), so In Management's opinion, the Bank will continue under the going concern principle.

Likewise, considering that Nationwide State of Emergency was decreed after the end of 2019, the accompanying financial statements as of December 31, 2019 and 2018, do not include negative effects, if any, as a result of COVID-19 outbreak or from the measures established by the Peruvian Government, see note 26.

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Translation of independent auditors' report originally issued in Spanish - Note 27

Independent auditors' report (continued)

Other issues

The financial statements as of December 31, 2018 and for the year then ended, were audited by other independent auditors who, on March 25, 2019, issued an unqualified opinion.

Lima, Peru,
June 19, 2020

Countersigned by:

Paredes, Burga & Asoc.

V. Tanaka

Víctor Tanaka
C.P.C.C. Register No.25613

Paredes, Burga & Asociados S. Civil de R.L.

Translation of financial statements originally issued in Spanish - Note 27

Banco de la Nación

Statements of financial position

As of December 31, 2019 and 2018

	Note	2019 S/(000)	2018 S/(000)
Assets			
Cash and due from banks:	3		
Cash		1,825,432	1,748,335
Clearing		68,470	11,904
Deposits in the Peruvian Central Bank		13,240,326	6,726,480
Deposits in local banks		32,003	21,253
Deposits in foreign banks		157,019	101,504
Other due from banks		813	801
		15,324,063	8,610,277
Investments:			
Available-for-sale	4(a)	8,022,267	9,160,815
Held-to-maturity	4(i)	1,826,007	2,050,548
At fair value through profit or loss	4(a)	66,063	-
		9,914,337	11,211,363
Loans, net	5	6,319,692	8,930,396
Accounts receivable, net	6	356,364	292,683
Property, furniture and equipment, net	7	650,453	716,192
Net deferred income tax asset	13	126,460	147,979
Other assets, net	8	244,932	179,213
Total assets		32,936,301	30,088,103
Risks and commitments	16	2,786,953	2,720,393

	Note	2019 S/(000)	2018 S/(000)
Liabilities and equity			
Deposits and obligations to the public	9	29,101,447	26,473,819
Deposits of financial entities and international financial entities	10	222,695	217,854
Securities, bonds and obligations outstanding	11	251,633	251,647
Accounts payable	12	320,544	354,281
Other liabilities	8	275,161	471,348
Total liabilities		30,171,480	27,768,949
Equity	14		
Capital stock		1,200,000	1,200,000
Additional capital		1,452	1,452
Legal reserve		420,000	420,000
Unrealized results		81,016	(131,011)
Retained earnings		1,062,353	828,713
Total equity		2,764,821	2,319,154
Total liabilities and equity		32,936,301	30,088,103
Risks and commitments	16	2,786,953	2,720,393

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

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Translation of financial statements originally issued in Spanish - Note 27

Banco de la Nación

Statements of comprehensive income

For the years ended December 31, 2019 and 2018

	Note	2019 S/(000)	2018 S/(000)
Interest income	17	1,634,010	1,593,947
Interest expenses	17	(65,165)	(62,889)
Gross financial margin		1,568,845	1,531,058
Provision for loan losses, net of recoveries	5(f)	(35,910)	(60,047)
Net financial margin		1,532,935	1,471,011
Income from financial services	18	726,676	775,435
Expenses from financial service	18	(223,139)	(198,865)
Financial margin, net of income and expenses for financial services		2,036,472	2,047,581
Gain on financial transactions	19	367,902	97,500
Operative margin		2,404,374	2,145,081
Administrative expenses	20	(976,532)	(1,027,292)
Depreciation and amortization	7(a) y 8(d)	(101,958)	(106,583)
Net operating margin		1,325,884	1,011,206
Valuation of assets and provisions	21	(27,301)	(53,468)
Operating income		1,298,583	957,738
Other income, net	22	23,858	84,664
Income before income tax		1,322,441	1,042,402
Income tax	13(b)	(232,901)	(226,018)
Net income		1,089,540	816,384
Other comprehensive income			
Net unrealized gain on available-for-sale investments	14(c)	235,597	(224,299)
Income tax	14(c)	(23,570)	14,293
Total comprehensive income for the year, net of income tax		212,027	(210,006)
Total comprehensive income		1,301,567	606,378

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

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Translation of financial statements originally issued in Spanish - Note 27

Banco de la Nación

Statements of changes in shareholders' equity

For the years ended December 31, 2019 and 2018

	Note	Capital stock S/(000)	Additional capital S/(000)	Legal Reserve S/(000)	Unrealized results S/(000)	Retained earnings S/(000)	Total S/(000)
Balances as of January 1, 2018		1,200,000	1,452	420,000	78,995	761,793	2,462,240
Changes in shareholders' equity for 2018 -							
Net income		-	-	-	-	816,384	816,384
Other comprehensive income	14(c)	-	-	-	(210,006)	-	(210,006)
Total comprehensive income		-	-	-	(210,006)	816,384	606,378
Prior years adjustments	14(d)	-	-	-	-	4,246	4,246
Offsetting debt with Public Treasury	14(d)	-	-	-	-	(226,113)	(226,113)
Distribution of income to Public Treasury	14(d)	-	-	-	-	(527,597)	(527,597)
Balances as of December 31, 2018		1,200,000	1,452	420,000	(131,011)	828,713	2,319,154
Changes in shareholders' equity for 2019 -							
Net income		-	-	-	-	1,089,540	1,089,540
Other comprehensive income	14(c)	-	-	-	212,027	-	212,027
Total comprehensive income		-	-	-	212,027	1,089,540	1,301,567
Prior years adjustments	14(d)	-	-	-	-	(27,717)	(27,717)
Offsetting debt with Public Treasury	14(d)	-	-	-	-	(259,183)	(259,183)
Distribution of income to Public Treasury	14(d)	-	-	-	-	(569,000)	(569,000)
Balances as of December 31, 2019		1,200,000	1,452	420,000	81,016	1,062,353	2,764,821

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

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Banco de la Nación

Statements of cash flows

For the years ended December 31, 2019 and 2018

	Note	2019 S/(000)	2018 S/(000)
Cash flows from operating activities			
Net income		1,089,540	816,384
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	7(a) y 8(d)	101,958	106,583
Provision for loan losses, net of recoveries	5(f)	35,910	60,047
Provision for accounts receivable losses	21(a)	(8,082)	2,478
Provision for indirect loans	21(a)	(234)	(231)
Provision for litigations and claims	21(a)	53,811	42,745
Deferred income tax	13(b)	(12,025)	(7,141)
Gain loss on available-for-sale investments	19	(342,722)	(48,887)
Accrued interest on subordinated bonds		19,986	19,988
Net gain on sale of properties	7(b)	(18,683)	-
Derecognition of property, machinery and equipment	22	8,322	-
Others		(6,350)	8,560
Changes in assets and liabilities accounts:			
Decrease (increase) in loan portfolio		154,988	(342,919)
(Increase) decrease in accounts receivable		(45,803)	188,373
(Increase) decrease in other assets, net		145,784	18,150
Increase in deposits and obligations to the public		2,627,628	70,396
Increase (decrease) in deposits from financial entities and international financial entities		4,841	(160,887)
Decrease in accounts payable		(33,737)	(78,500)
Decrease in other liabilities, net		(249,764)	(58,487)
Equity adjustments	14(d)	(27,717)	4,246
Profit for the period after net change in assets, liabilities and adjustments		3,497,651	640,898
Income tax paid		(199,420)	(240,516)
Net cash provided by operating activities		3,298,231	400,382

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Statements of cash flows (continued)

	Note	2019 S/(000)	2018 S/(000)
Cash flows from investing activities			
Net increase in available-for-sale investments		4,046,616	(863,315)
Additions of property, furniture and equipment	7(a)	(13,764)	(94,627)
Additions of intangible assets		(28,297)	(14,530)
Sales of property, furniture and equipment	22(c)	-	79,950
Net cash used in investing activities		4,004,555	(892,522)
Cash flows from financing activities			
Distribution of income to Public Treasury	14(d)	(569,000)	(527,597)
Interest payment of subordinated bonds		(20,000)	(20,000)
Net cash used in financing activities		(589,000)	(547,597)
Net increase (decrease) in cash and cash equivalents		6,713,786	(1,039,737)
Cash and cash equivalents at the beginning of year		8,610,277	9,650,014
Cash and cash equivalents at the end of year		15,324,063	8,610,277
Non-cash flows transactions			
Debt management agreement, note 4(l)(ii)		2,419,806	-
Offsetting debt with the Public Treasury, note 14(d)		248,535	226,113
Reclassification of investments at fair value through profit or loss, note 4(b)		66,063	-

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

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Banco de la Nación

Notes to the financial statements
As of December 31, 2019 and 2018

1. **Economic activity**

Banco de la Nación (hereinafter "the Bank") was incorporated through Law No.16000 dated January 27, 1966, as an entity of public law belonging to the Economy and Finance Sector that operates with economic, financial and administrative autonomy in the execution of its functions. The Bank has its own equity and indefinite duration.

Its incorporation Law was updated through Legislative Decree No.199 – Organic Law of the Bank- issued on June 12, 1981, through which the Bank gets exclusive rights concerning functions and powers; however, when issuing the Decree Law No.25907, dated November 27, 1992, were no long in effect the Bank's exclusivity concerning those functions and powers.

Subsequently, Supreme Decree No.07-94-EF was issued on January 26, 1994, whereby: (i) repealed the Legislative Decree No.199, and (ii) approved the Bank's Statute, which has been successively modified by different legal regulations, being the latest Supreme Decree No.189-2016-EF dated July 4, 2016.

Currently, the Bank is governed by its Bylaw and amendments, by Legislative Decree No.1031, that promotes the efficiency of State Business Activity and, supplementary, the Law No.26702 "Ley General del Sistema Financiero y de Seguros y Orgánica de la Superintendencia de Banca, Seguros y AFP" – General Law of the Financial and Insurance System and Organic of the SBS y AFP- (hereinafter "SBS", the Spanish acronym).

The Bank's head office is located at Av. Javier Prado Este No.2499, San Borja, Lima, Peru. As of December 31, 2019, the Bank operates through a head office and a network of 648 offices in Peru (one head office and 654 offices as of December 31, 2018).

The Bank provides services to state entities, promotes banking and financial inclusion for the citizens' benefit complementing the private sector, and promotes the country's decentralized growth through efficient and self-sustaining management; also, the Bank is entitled to perform the following functions; none of them will be exclusively performed with respect to the entities of the Peruvian financial system:

(a) Provide banking services to the National Treasury System following instructions given by the General Treasury Directorate. Those services will be provided on an open market basis together with other entities in the Peruvian financial system.

(b) Provide tax collection services on behalf of tax creditor, subject to the prior approval of the Bank and under a specific tax collection agreement.

(c) Conduct, by delegation, transactions with bank subaccounts of the Public Treasury.

(d) Receive resources and funds from Central, Regional and Local Government entities as well as other entities of the National Public Sector.

(e) Act as the Government's financial agent, when the Ministry of Economy and Finance requires and authorizes it, within the framework of the operations of the National Treasury System, attending to the external public debt and foreign trade operations.

(f) Act on behalf of other banks or financial entities in funneling domestic or foreign resources to credit institutions.

(g) Take part in the Government's foreign trade transactions as indicated in its Bylaw. In this case, the Bank will provide bank services and foreign exchange services, under the regulations enacted by the Central Reserve Bank of Peru (Banco Central de Reserva del Perú).

(h) Receive, on a consignment and custody basis, administrative and judicial deposits.

(i) Provide banking services as a correspondent of financial system entities where financial system entities request it.

(j) Receive demand deposits from individuals and legal corporations for payments, as suppliers, pensioners, as well as Government workers, perceived within the framework of the National Treasury System.

(k) Receive savings and custody deposits from individuals and corporations in those areas of the Peruvian territory in which private banks do not have offices or operations, including the issuance of wire transfers, money orders and other cash transactions ordered or in favor of such parties.

(l) Provide loans and financial facilities to National, Regional and Local Government entities and other public entities, except for granting loans to Government entities under private law; issuing, acquiring, maintaining and selling bonds and other securities, as set forth by law. The issuance of securities will be performed in accordance with an annual schedule approved by the Ministerio de Economía y Finanzas (Ministry of Economy and Finance of Peru, hereinafter "MEF" by its acronym in Spanish) that may be reviewed quarterly.

(m) Perform transactions and banking services with Public Sector entities, domestic and foreign banks and financial institutions in order to comply with the duties established in its Bylaw, as well as the profitability and risk hedging of the resources it manages. These transactions are performed in accordance with the annual schedule approved by the MEF and may be reviewed quarterly.

(n) Grant a single line of credit to workers and pensioners of the Public Sector that, due to their income, have savings accounts in the Bank. Such line of credit may be assigned to the

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beneficiary for use through loans and/or credit cards. These transactions will be made according with an annual schedule approved by the MEF that may be reviewed annually.

(o) Issue electronic money, in accordance with Law No.29985, Law that regulates the basic characteristics of electronic money as instruments of financial inclusion; its Regulation and amendments.

The financial statements as of December 31, 2018 and for the year then ended, were approved by the Board of Directors Meeting held on March 24, 2019. The financial statements as of December 31, 2019 and for the year ended, have been approved by Management on June 16, 2020, and will be submitted to the Board of Directors when Management considers it appropriate. In Management's opinion, the accompanying financial statements will be approved by the Board of Directors without amendments.

2. Accounting principles and practices

In the preparation and presentation of the attached financial statements, the Bank's Management has observed the compliance with the SBS regulations in force in Peru as of December 31, 2019 and 2018. Below are the main accounting principles used in the preparation of these financial statements.

(a) Basis for presentation and accounting changes –

(i) Basis for presentation –

The accompanying financial statements have been prepared in accordance with Peruvian generally accepted accounting principles applicable to financial institutions, which mainly comprise standards issued by the SBS and, in a supplemental manner, in the absence of specific SBS regulations, with International Financial Reporting Standards –IFRS issued by the International Accounting Standards Board (IASB) approved for its application in Peru through resolutions issued by the Consejo Normativo de Contabilidad (Peruvian Accounting Council, hereinafter "CNC" for its Spanish acronym) in force in Peru as of December 31, 2019 and 2018, see paragraph (r).

The preparation of the accompanying financial statements requires that Management perform estimates that affect the reported amounts of assets and liabilities, income and expenses and the disclosure of material events in Notes to the financial statements. The estimates are continually evaluated and based on historical experience and other factors. The final results could differ from these estimates.

As of December 31, 2019 and 2018, the most significant estimates in relation to the accompanying financial statements correspond to the provision for collection credits doubtful, the valuation and impairment of investments, the provision for bad debt of accounts receivable, the provision for retirement pensions, the estimation of the useful life and the recoverable value of real estate, furniture and equipment and intangibles, assets and deferred income tax liabilities, and provisions. The accounting criteria used for each estimate are described in this note.

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In Management's opinion, these estimates were made based on their better knowledge of the relevant facts and circumstances at the date of financial statements preparation; however, the final results may differ from the estimates. The Bank's Management expects that the variations, if any, will not have a significant effect on the financial statements.

(ii) Accounting changes –

On July 4, 2018, the SBS issued Resolution N°2610-2018, which entered effective as of October 1, 2018 and amended the Regulations on classification and investment valuation approved by SBS Resolution No. 7033-2012 and its respective modifications. The main modification contained in this Resolution is the introduction of a standard methodology for the identification of impairment of financial instruments classified as investments available for sale and investments to maturity, see note 2(f).

As a result of the application of this methodology, it has not been necessary to make additional records for the analysis of impairment of investments.

(b) Foreign currency –

Functional and presentation currency -

The Bank considers the Sol as its functional and presentation currency, since it reflects the nature of economic events and relevant circumstances of the bank, given that its main operations and / or transactions such as: loans granted, investments, financing obtained, financial income and expenses, payroll and purchases are established and settled in soles.

Transactions and balances in foreign currency -

Transactions in foreign currency are those which are made in other currency other than the functional currency.

Monetary assets and liabilities in foreign currency are initially recorded at the exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currency are converted to soles at the end of each month using the exchange rate set by the SBS. Gains or losses resulting from the translation of monetary assets and liabilities in foreign currency at the exchange rates prevailing at the date of the statements of financial position are recorded in the Income statements of the period as "Gain on exchange difference and exchange operations, net" in the "Gain on financial transactions" caption, see note 19.

Non-monetary assets and liabilities acquired in foreign currency are recorded at the exchange rate for the date of the initial transaction change and are not subsequently adjusted.

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(c) Financial instruments -
Financial instruments are classified as assets, liabilities or equity according to the substance of their respective contractual arrangements that originated them. Interests, dividends, gains and losses generated from financial instruments classified as assets or liabilities are recorded as income or expense, respectively. Financial instruments are offset when the Bank has a legally enforceable right to offset and Management has the intention to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets and financial liabilities reported in the statements of financial position include cash and due from banks, investments available-for-sale, held-to-maturity investments, Investments at fair value through profit or loss, loan portfolio, accounts receivable, other assets, except for the assets identified as non-financial instruments presented in the caption "Other assets", and liabilities in general (except for the liabilities identified as non-financial instruments presented in "Other liabilities"), see Note 8(a). Also, all indirect loans are considered financial instruments.

The specific accounting policies on recognition and measurement of these items are disclosed in the accounting policies described in this note.

(d) Recognition of revenue and expenses –
Financial revenues and expenses are recorded in the income statement of the period in which they are incurred, based on the effective term of the underlying transactions and the interest rates freely agreed upon with customers; except for interest accrued on past due loans, refinanced, restructured or in legal collection as well as loans classified as doubtful or loss, which are recognized as collected. When Management determines that the debtor's financial condition has been improved and the loan is reclassified as current or in the category of normal, potential problem or substandard, such interests are recognized on an accrual basis.

Revenue includes interest on fixed income investments classified as available-for-sale, at maturity and at fair value through profit or loss as well as the recognition of the discount and the premium on such financial instruments.

Commissions and expenses for loans structuration, as well as loans assessment of direct and indirect loans are recorded as income on an accrual basis over the agreement period.

Commissions for financial services related to the maintenance of credits granted and remuneration for operations or additional and / or complementary services to such credits, other than those indicated in the previous paragraph, are recognized as income when are collected.

Other revenues and expenses are recognized as earned or incurred in the period in which they accrue.

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(e) Loans and provision for loan losses -

Direct loans are recorded when the funds are disbursed in favor of the customers. In the case of credit cards operations, these are recorded as loans for the amount consumed and/or cash withdrawals made. Indirect loans (contingent loans) are recorded when documents supporting such facilities are issued.

Direct loans are considered as refinanced when there are variations of term and/or the amount of the original contract to difficulties in the payment capacity of the debtor; and are considered as restructured loans those credits that are subject to reprogramming of payments approved by a restructuring process according to the General Law of the Bankruptcy System, Law No.27809.

In case of financial leases, the Bank recognizes the present value of lease payments as credit granted. The difference between the total amount of installments receivable and their present value is recorded as unrealized interest and is recognized over the term of the lease agreement using the effective interest rate method that reflects a consistent rate of return. The Bank does not maintain operating leases.

Financial income is based on a pattern that reflects a fixed internal rate of return on net credit.

The Bank's Management determines the type of credit, the risk classification categories and the provisions according to the guidelines established by the SBS in Resolution No.11356-2008 "Regulation for the evaluation and classification of the debtor and the requirement of provisions" and amendments.

Types of loans –

The Bank classifies its loans as follows: Non- retail (corporate loans, loans to large-business and loans to medium-business) and Retail (loans to small-business, loans to micro-business, revolving consumer loans, non-revolving consumer loans and mortgage loans). These classifications take into consideration the nature of the customer (corporate, government or individuals), the purpose of the loan and business size as measured by income, debt, among other indicators according to SBS Resolution No.11356-2008.

Requirement of provisions –

The provision for loan losses is determined following guidelines established by SBS Resolutions No.11356-2008 "Regulation for the evaluation and classification of the debtor and the requirement of provisions" and SBS Resolutions No.6941-2008 "Regulation for the Managing of the Risk of the Retail Debtors with High Leverage Levels". In general, these guidelines include the following three components: (i) the provision for loan losses resulting from the risk rating of the loan portfolio, (ii) the pro-cyclical rule activated by the SBS based on the behavior of specific domestic macro-economic variables, and (iii) the over-indebtedness provisions of the retail portfolio.

The provision for the risk rating of the portfolio is determined based on the assessment that Management periodically performs over the loan portfolio, classifying it into one of the following

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categories: normal, with potential problems, substandard, doubtful or loss, depending on the non-payment risk grade of each debtor.

For non-retail loans, the classification into one of each categories mentioned above considers, among other, the following factors: the debtor's payment experience, the payment history of the specific loan, the Bank's dealings history with the debtor's management, the debtor's operating history, repayment capability and availability of funds, the status of any collateral or guarantee received, the analysis of the debtor's financial statements, the risk classification given by other local financial institutions; plus other relevant factors. For retail loans, the classification is based, mainly, on how long payments are overdue.

The provision is computed considering the risk classifications assigned and using specific percentages, which vary depending upon whether the customer's debts are backed by preferred self-liquidating guarantees – LWPSLG (cash deposits and rights over credit letters) or by preferred guarantees that may be readily liquidated – LWRLPG (treasury bonds issued by the Peruvian National Government; marketable securities listed within the Selective Index of the Lima Stock Exchange, among others) or by other preferred guarantees – LWPG (primary pledge on financial instruments and property, primary pledge on agricultural or mining concessions, insurance on export credits, among others). The guarantees received are considered at their net realizable value as determined by independent appraisers. Likewise, computing of the provision must consider the credit classification of the guarantor or guaranteeing party for credits subject to counterparty substitution by a financial or insurance entity (CAC).

The provision of customers classified in the categories of doubtful or loss for more than 36 and 24 months, respectively, is computed without considering the value of the guarantees. This criterion does not apply to debtors whose credit rating is due to the application of alignment procedures.

The provision for indirect loans is determined based on the "Exposure equivalent to credit risk", according to the credit conversion factor.

The pro-cyclical provision was calculated for loans classified as normal, based on the percentages established by the SBS. However, as of December 31, 2019 and 2018, the pro-cyclical component of the provision is suspended by the SBS according to Circular SBS N°B-2224-2014; likewise, as of such dates, the Bank do not maintain pro-cyclical provisions.

The management of the risk for over-indebtedness of retail debtors is required by SBS Resolution No.6941-2018, dated August 25, 2008, "Regulation for Managing the Risk of Retail Debtors with High Leverage Levels". This rule requires that the entities of the Peruvian financial system establish a risk management system of over-indebtedness that allows to reduce the risk before and after of the granting of credit; carry out permanent monitoring of the portfolio in order to identify over-indebted debtors that includes periodic evaluations of the control mechanisms used, as well as the corrective actions or improvements required, according to the particular case.

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Entities that do not comply with these guidelines must calculate the exposure equivalent to credit risk by applying a factor of 20 percent to the unused amount of revolving credit lines of micro-business and consumer loans, and on that amount to calculate the provision according to the classification of the debtor for provision purposes.

In Management's opinion, as of December 31, 2019 and 2018, the Bank has complied with the requirements established in SBS Resolution No.6941-2018; in this sense, it has not been necessary to record additional generic provisions related to inadequate administration of the risk of over-indebtedness.

Provision for loan losses for direct loans is presented as an asset deduction, while the provision for indirect loans is presented as a liability.

(f) Investments –

The criteria for the initial recognition and valuation of investments is based on SBS Resolution No.7033-2012 “Regulation for Classification and Valuation of Investments in Entities of the Financial System" and its amendment SBS Resolution No.2610-2018; in this sense, the Bank classifies its investments in the categories defined by said Resolution: (i) investments at fair value through profit or loss, (ii) available-for-sale investments, (iii) held-to-maturity investments, and (iv) investments in subsidiaries, associates and interest in joint ventures.

As of December 31, 2019 and 2018, the Bank maintain investments classified as Investments at fair value through profit or loss, held-to-maturity investments and available-for-sale investments.

Classification

(i) Investments at fair value through profit or loss

This category has two sub-categories:

(a) Investments maintained for negotiation, which are acquired with the purpose of selling or repurchasing in the short term.

(b) Investment instruments at fair value through profit or loss, since their inception, which are part of an identified portfolio of financial instruments that are jointly managed and for which there is evidence of a recent pattern of taking gains in the short time. As of December 31, 2019 and 2018, the Bank did not it maintained instruments classified in this sub-category.

(ii) Investments available for sale

Investments designated into this category are held for an indefinite period and may be sold for purposes of liquidity, changes in interest rates, exchange rates or cost of capital; or do not qualify to be registered as at fair value through profit or loss or held-to-maturity.

(iii) Held-to-maturity investments

The financial instruments that are classified in this category must comply with the following requirements:

(a) Be acquired or reclassified for the purpose of holding them until their maturity date; except for the cases when their sale, assignment or reclassification are allowed by the SBS.

(b) They must have risk ratings as required by the SBS.

Likewise, in order to classify their investments in this category, financial entities must assess whether they have the financial capability to hold them until their maturity. This capability must be evaluated at the closing date of each annual period.

During 2019, the Bank made a change in the classification of some debt instruments classified as of December 31, 2018 as available-for-sale investment, to the category of investments at fair value through profit or loss. This reclassification has been carried out as required by the SBS in its inspection visit report No. 106-VIG / 2019-DSB "E". The accumulated balance of the net unrealized loss of these investments that was included in the “Unrealized results” caption of the net equity was reclassified to the income statement at the reclassification date.

Initial recognition date –

Transactions must be recorded using the trading date; that is, the date at which the reciprocal obligations that must be performed within term established by regulations and the usual practice on the market at which the operation takes place.

Initial recognition and measurement –

(i) Investments at fair value through profit or loss

Their initial accounting is carried out at fair value, recording the transactions costs as expenses. Their valuation corresponds to the fair value and the gain or loss originated from the change between their initial recognition and the fair value is directly recorded in the Income statements.

(ii) Available-for-sale investments –

Their initial accounting record is performed at fair value, including the transaction cost that are directly attributable to their acquisition. Their valuation corresponds to fair value and the gain or loss originated from the change between their initial recognition and fair value is recorded directly in equity, unless an impairment loss is recorded. When the financial instrument is sold, the gain or loss, previously recorded as part of the equity, is transferred to the Income statements of the period.

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In the case of debt securities, previously to the valuation at fair value, the amortized cost is updated in the accounts applying the effective interest rate method, and the resulting variation of the amortized cost is used for the recognition of the gains and losses due to the variation of the fair value.

(iii) Held-to-maturity investments
Their initial accounting is at fair value, including the transaction costs that are directly attributable to their acquisition. Their valuation corresponds to the amortized cost by applying the effective interest rate method.

Their initial accounting is at fair value, including the transaction costs that are directly attributable to their acquisition. Their valuation corresponds to the amortized cost by applying the effective interest rate method.

The difference between the revenues received from the sale of these investments and their book value is recognized in the income statements.

Impairment assessment –
SBS Resolution No. 7033-2012 and amendments, as well as SBS Resolution No.2610-2018, establish a standard methodology for the identification of the impairment on available-for-sale and held-to-maturity investments. This methodology consists of evaluating the fulfillment of seven general criteria and four specific criteria, for each of the instruments of the investment portfolio. In this sense, in the scenario in which an instrument meets two general criteria or a specific criterion, it will be considered as an instrument that shows impairment.

This methodology is applied quarterly to all debt-representing and equity instruments classified into the following categories:

(i) Debt Instruments:
At the end of each quarter, the following occurrences must be assessed for the entire debt-representing portfolio:

1. Weakening issuers financial situation or its financial ratios and its economic group.
2. Decrease in the credit rating of instruments or the issuer, by at least two (2) “Notches”, since the instrument was acquired. A “Notch” corresponds to the minimal difference between two credit ratings within a same rating scale of impairment.
3. Interruption of an active market or transactions for the financial asset due to financial difficulties of the issuer.
4. Observable data indicates that upon initial recognition of a group of financial assets with similar characteristics as the instrument under assessment; there

is a measurable decrease in its estimated future cash flows, even though could not be identified with individual financial assets of the total portfolio.

5. Decrease in value due to regulatory changes (tax, regulatory or other government).
6. Significant decrease of fair value below its amortized cost. A significant decrease will be considered if the fair value at the closing date has decreased at least 40% below its amortized cost at that date.
7. Prolonged decrease of fair value. A prolonged decrease will be considered if the fair value at the closing date has decreased at least 20% in compared with the amortized cost of 12 months prior, has always been kept below the amortized cost corresponding to the closing date of each month.

The fair value to be used for assessing criteria 6 and 7 is the one considered for the valuation of available-for-sale debt instruments, according to the criteria established by the mentioned Resolution, regardless of the accounting classification of the debt instrument. However, if the decrease in the fair value of the debt instrument is the result of an increase in the risk-free interest rate, this decrease should not be considered as a sign of impairment.

In case at least two (2) of the above situations are met, consequently, there is an impairment. In the case have not been given at least two (2) of the situations described above, it shall be sufficient to present some of the following specific situations to consider an impairment:

1. A breach of contract, such as default or delinquency in interest or principal payments.
2. Reassess of financial instrument terms because of legal matters or financial difficulties related for the issuer.
3. Evidence that issuer is undergoing a process of forced restructuring or bankruptcy.
4. There is a reduction in the risk rating of an instruments that was classified as investment grade, toward a classification that is below investment grade.

(ii) Equity instruments:
At the end of each quarter, the following occurrences must be assessed for the entire portfolio of equity instruments:

1. There is a reduction in the risk rating of an instruments that was classified as investment grade, toward a classification that is below investment grade.
2. If there has been a significant changing technological, market, economic or legal environment in which the issuer operates and may have adverse effects of the investment recovery.

3. Weakening issuers financial situation or its financial ratios and its economic group.
4. Disruption of an active market or transactions for the financial asset due to financial difficulties of the issuer.
5. Observable data indicating that upon initial recognition from a group of financial assets with similar characteristics as the instruments under assessment; there is a measurable decrease in the estimated future cash flow of a loan portfolio before the decrease could be identified with an individual loan in that portfolio.
6. Decrease in value due to regulatory changes (Tax, regulatory or other government).

In case at least two (2) of the above situations are met, it will be deemed the presence of impairment. In the case have not been given at least two (2) of the situations described above, it is sufficient that one of the following specific situations occur to consider the presence impairment:

1. Significant decrease of fair value below its acquisition cost. A significant decrease will be considered if the fair value at the closing date has decreased at least 40% below its amortized cost at that date. As a cost or acquisition cost, the initial cost shall always be referenced, regardless that has been previously recognized an impairment in the equity instrument analyzed.
2. Prolonged decrease of fair value. A prolonged decrease will be considered if the fair value at the closing date has decreased at least 20% in compared with the amortized cost of 12 months prior, has always been kept below the amortized cost corresponding to the closing date of each month.
3. A breach of the statutory provision by the issuers, related to the payment of dividends.
4. Evidence that issuer is undergoing a process of forced restructuring or bankruptcy.

The fair value to be used for assessing the situations indicated in paragraphs a) and b), is the fair value considered for the purposes of the valuation of the available-for-sale equity instruments, in accordance with the guidelines established in the mentioned Resolution. The mentioned numerals a) and b) are not applicable to equity instruments classified in the category available-for-sale and valued at cost due to the absence of a reliable fair value.

On the other hand, if the SBS considers necessary to establish any additional provision for any type of investment, such provision must be determined based on each individual instrument and must be recorded in the income statements of the period in which the SBS requires such provision.

The impairment loss corresponding to debt instruments classified as available-for-sale investments shall be reversed in the Income statements of the period, provided that the increase in the fair value of such instrument can be ascertained and objectively associated with a favorable event that occurred after the loss. The impairment loss for capital instruments will be reversed through the "other comprehensive income".

The risk loss of the held-to-maturity investments will be reversed on the result for the year if it is related to an event subsequent to the recognition of the impairment (such as an improvement in the risk classification of the instrument or the issuer). The reversal will not result in a carrying amount of the debt instrument that exceeds the amortized cost that would have been determined had the impairment loss not been accounted for on the reversal date.

Recognition of exchange differences –
Gains or losses from currency exchange differences related to the amortized cost of debt instruments are recorded in the income statements, while those related to the difference between the amortized cost and the fair value are recorded in the statements of shareholders' equity as part of the unrealized results. In the case of equity instruments, they are considered non-monetary items and, consequently, they remain at their historical cost in local currency, which means that any exchange differences are part of their valuation and are recognized as part of the unrealized results in the statements of changes in shareholders' equity.

Derecognition of financial assets and liabilities –
Financial assets
A financial asset (or, when applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognized when: (i) the rights to receive cash flows from the asset have expired; or (ii) the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and (iii) either the Company has transferred substantially all the risks and rewards of the asset, or the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as a derecognition of the original liability and a new liability is recognized, the difference between the carrying amount of the original and the new financial liability is recognized in the income statements.

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(g) Property, furniture and equipment –

Property, furniture and equipment are recorded at acquisition cost, less accumulated depreciation and accumulated amount of impairment, if applicable, see paragraph (k) below. Maintenance and repair costs are charged to the statements of income and significant renewals and improvements are capitalized when: i) it is probable that future economic benefits will flow from the renewal or improvement; and ii) cost can be measured reliably. The cost and its corresponding accumulated depreciation and any impairment loss of an asset sold or retired are eliminated from the corresponding accounts and the related gain or loss is included in the statements of income.

Work in progress and in transit units are accounted at their acquisition cost. These goods are not depreciated until they are received or finished and placed into service.

Land is not depreciated. Depreciation is calculated using the straight-line method considering the following estimated useful lives:

	Years
Buildings and other constructions	33
Improvements in rented property and installations	5
Furniture and equipment	10
Computer equipment	4
Vehicles	5

The residual values, the useful lives assigned, and the selected depreciation method are periodically reviewed to ensure that they are consistent with the economic benefit and useful life expectations of property, furniture and equipment items.

(h) Finite useful life intangible assets -

The intangible assets are included in the caption "Other assets, net" of the statements of financial position and are stated at historical acquisition cost less accumulated amortization and accumulated impairment losses, if applicable, see paragraph (k). These assets are composed principally by acquisition and development of software used by the Bank in its operations.

Amortization of assets with finite useful lives is calculated following the straight-line method over a 4–year period. According to SBS Resolution N°1967-2010, finite useful life intangible assets are amortized in no more than five years.

As of December 31, 2019 and 2018, the Bank does not have indefinite useful life intangible assets.

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(i) Securities, bonds and obligations outstanding -
Liabilities for debts and the issuance of securities, bonds and obligations outstanding included are recorded at their nominal value, recognizing accrued interest in the Income statements of the period. The discounts granted or profits generated for its placement are deferred and presented net of its issue value and are amortized over the life of the securities, bonds and obligations outstanding by applying the effective interest method.

(j) Income tax -
Current Income Tax is computed based on the taxable income determined for tax purposes, which is determined using criteria that differ from the accounting principles used by the Bank.

Therefore, the Bank recorded deferred income taxes, considering the guidelines of IAS 12 "Income Tax". The deferred Income Tax reflects the effects of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts determined for tax purposes; and is recognize using the liability method about such temporary differences.

Deferred tax liabilities are recognized for all taxable temporary differences; while deferred tax assets are recognized for all deductible temporary differences to extent that it is probable that sufficient future profits for the deferred tax assets can be applied.

Deferred tax assets and liabilities are measured using the tax rates expected to be applied to taxable income in the years in which temporary differences are expected to be recovered or settled, on the basis of the tax rates which were approved at the statements of financial position dates.

The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences which arise from the way in which it is expected to recover or eliminate the carrying amount of its assets and liabilities at the statements of financial position dates.

The carrying amount of deferred tax assets and deferred tax liabilities may change even though there is no change in the amount of temporary differences, due to a change in the rate of income tax. The effect of the change in deferred tax, corresponding to the tax rate change shall be recognized in the statements of income, except for items previously recognized outside statements of income (either in other comprehensive results or directly in equity).

Income tax deferred assets and liabilities are offset if there is legal right to offset and are related to the same taxable entity and the same tax authority.

In accordance with IAS 12, the Bank determines its income tax based on the income tax rate applicable to your undistributed profits, recognizing any additional tax for the distribution of dividends on the date the liability is recognized.

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(k) Impairment of non-financial assets -

When there are economic events or changes that indicate that the value of an asset may not be recoverable, the Bank's Management reviews the value of its property, furniture and equipment and intangibles to verify that there is no permanent impairment in its value. When the book value of the asset exceeds its recoverable value, an impairment loss for the items of property, furniture and equipment and intangibles is recognized in the Income statements. The recoverable value is the greater between the net sale price and its value in use. The net sale price is the amount that can be obtained in the sale of an asset in a free market, while the value in use is the present value of the estimated future flows of the continuous use of an asset and of its disposal at the end of its useful life.

(l) Fiduciary activities –

Assets and cash flows from fiduciary operations in which there is a commitment to return such assets and cash flows to a client and in which the Bank participates as a fiduciary, have been excluded from these financial statements because they are not owned by the Bank and are only recognized in off-balance sheet accounts for control purposes. The commissions for these activities are included in "Other" in the caption "Income from financial services" in the statements of comprehensive income.

(m) Retirement pensions –

The provision for retirement pensions includes mainly the provisional obligations of the Pension Regime under Decree Law 20530. Under IAS 19, "Employee benefits", the provision for retirement pensions is part of a Government Plan of Defined Benefit, and the Bank is obliged to provide benefits according to Decree Law No.20530 and complementary standards. Within the defined benefit scheme, actuarial risk is assumed by the Bank and supported by its assets and operations. Based on the life expectations of the beneficiaries of this scheme, Management considers that the amount of this obligation will be decreased progressively in the long-term.

The provision for the retirement reserve fund of active and retired personnel is recorded in accordance with the provisions of Supreme Decree No. 043-2003-EF published on March 28, 2003, which indicates that the Peruvian State companies will be governed by the rules contained in Supreme Decree No. 026-2013-EF and, where applicable, by Accounting Resolution No. 159-2003-EF / 93.01 published on March 12, 2003, which approved Instruction No. 20-2003 -EF / 93.01; which was repealed by Directorial Resolution No. 014-2016-EF / 51.01 of the General Directorate of Public Accounting. Also, by Communiqué No. 002-2017-EF / 51.01 of the General Directorate of Public Accounting of the MEF, which establishes the accounting procedure for the registration and control of pension reserves, non-pension reserves and reserves for contingencies.

The Bank fully records the results of actuarial calculations for pension reserves as a liability. The total amount of provisional obligations is adjusted based on the amounts obtained from future actuarial calculations in relation to the previous actuarial calculation and the variation is applied directly to the results of corresponding period.

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The actuarial calculation of the provisional obligations is made on an annual basis by a qualified actuary of the Planning, Statistics and Rationalization Division of the "Oficina de Normalización Previsional" (hereinafter "ONP"), using the technical guidelines of the ONP approved by Resolution No.002-2018-Headquarters/ONP. The carrying amount of the pension, determined in accordance with the actuarial calculation, is measured at the present value of all future pension payments using a discount rate of 4.67 percent, or annual technical interest rate (TITA, for the Spanish acronym) in soles, applied to the actuarial commutation mortality tables for a horizon in the medium and long term (4.67 percent at December 31, 2018); which was set in the Technical Guide and the foundation of it is in a supporting study in the report N° 026/2017-OPG.EE/ONP, which is presented the Technical Guide. The rate is determined based on the yield of the US Treasury bond American, adjusted for inflation and exchange rate; according to this, the interest rate is equivalent to the rate of long-term yield curve relevant for Peru.

(n) Provisions –

Provisions are recognized only when the Bank has a present obligation (legal or implicit) as result of past events, it is probable that an outflow of resources will be required to settle such obligation, and the amount has been reliably estimated. Provisions are reviewed in each period and are adjusted to reflect their best estimate as of the statements of financial position date. When the effect of the time value of money is significant, the amount as a provision is the present value of future payments required to settle the obligation.

(o) Contingencies –

Contingent liabilities are not recorded in the financial statements. They are disclosed in the Notes to the financial statements, unless the possibility of an outflow of economic benefits is remote.

Contingent assets are not recognized in the financial statements; however, they are disclosed when their contingency degree is probable.

(p) Cash and cash equivalents –

Cash and cash equivalents presented in the statements of cash flows correspond to "Cash and due from banks" of the statements of financial position, which includes deposits with less than a three-month maturity as of the acquisition date, BCRP time deposits, funds deposited in the central bank and "overnight" deposits, excluding the interest accrued and restricted funds.

(q) Comparative Financial statements –

When it is necessary, comparative figures have been reclassified to conform to the current year presentation. In Management's opinion, those reclassifications made in the Bank's financial statements are not significant considering the financial statements as a whole.

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(r) New accounting pronouncements -

(r.1) IFRS issued and in force in Peru as of December 31, 2019 –

During 2019, the CNC issued the following resolutions, which formalized the following standards:

- Resolution No. 001-2019 -EF/30 issued on January 11, 2019, which formalized the amendments to the References to the Conceptual Framework of IFRS; amendments to IFRS 3 "Business Combinations", IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

- Resolution No.002-2019-EF/30 issued on May 24, 2019, which officialized the General Business Accounting Plan. Its use is mandatory for public and private entities, as appropriate, and applies from January 1, 2020; however, this Plan does not apply to financial institutions. SBS establishes rules and procedures specific for the accounting record of its supervised entities.

- Resolution No. 003-2019-EF/30 issued on September 21, 2019, which formalized the complete set of IFRS, version 2019.

The application of these standards begins the following day of the issuance of each resolution or after, as stipulated in each specific standard.

In this regard, IFRS 16 "Leases" entered into effect in the year 2019, superseding IAS 17 "Leases", IFRIC 4 "Determining Whether an Arrangement Contains a Lease", SIC 15 "Operating Leases-Incentives" and SIC 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease"; which has important effects on the recognition of operating leases where the Bank is the lessee. However, the SBS issued the Multiple Official Letter No. 467-2019-SBS dated January 7, 2019, indicating the non-application of IFRS 16 for entities under its supervision.

Likewise, in 2018, IFRS 9 "Financial Instruments" came into force, replacing IAS 39 "Financial Instruments: Recognition and Measurement", and may have material effects in the Bank's financial statements; however, the SBS has not modified or adapted its Accounting Manual for Financial Systems Companies for this standard.

Finally, as of January 1, 2018, IFRS 15 "Revenues from Contracts with Customers" came into force, replacing IAS 18 "Revenue" and IAS 11 "Construction Contracts". The standard establishes a more systematic approach to revenue measurement and recognition by introducing a five-step model; however, the SBS has not modified or adapted its Accounting Manual for Financial Systems Companies as a result of the provisions of this standard.

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In this sense, as of December 31, 2019 and 2018, the Bank has not reflected or disclosed any effect if this standard was adopted by the SBS in the future.

(r.2) IFRS issued internationally but not yet effective as of December 31, 2019

- Amendments to the Conceptual Framework for Financial Information, effective for annual periods starting on January 1, 2020.
- Amendments to IFRS 3 "Business Combinations", in relation to the definition of "business", in order to help entities determine whether an acquired set of activities and assets is a business or not.
- IFRS 17 - Insurance contracts, effective for periods beginning on or after January 1, 2022, requiring to include comparative figures. Early adoption is permitted, if the entity also applies IFRS 9 and IFRS 15 as of the date on which it applies for the first time IFRS 17.
- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Definition of "material". The new definition states that: "The information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users make over the financial statements.

Given that the standards detailed in (r.1) and (r.2) solely apply in a supplementary manner to the accounting regulation established by the SBS, they will not have any significant effect on the preparation of the accompanying financial statements, unless the SBS adopts them in the future through the modification of its Accounting Manual for Financial Entities or the issuance of specific rules thereon. The Bank has not estimated the effect on its financial statements if such rules were adopted by the SBS.

3. Cash and due from banks

(a) This item is made up as follows:

	2019 S/(000)	2018 S/(000)
Cash (b)	1,893,902	1,760,239
Deposits in Peruvian Central Bank – BCRP (b)	13,177,851	6,719,441
Deposits in domestic and foreign banks (c)	189,022	122,757
Accrued income	62,475	7,039
Other due from banks	813	801
Total	15,324,063	8,610,277

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(b) Includes the legal reserve that the Bank must maintain for its obligations with the public and remains within the limits set by the current provisions. The composition of the legal reserve is presented below:

	2019 S/(000)	2018 S/(000)
Mandatory reserve		
Deposits in Peruvian Central Bank - BCRP	11,414,803	6,719,441
Cash in the vaults of the bank	1,825,432	1,748,335
Mandatory reserve subtotal	13,240,235	8,467,776
Overnight deposits in the Central Reserve Bank of Peru (BCRP)	1,763,048	-
Clearing	68,470	11,904
Non-mandatory reserve subtotal	1,831,518	11,904
Total	15,071,753	8,479,680

The legal reserve corresponds to funds deposited in the vaults of the Bank and in the BCRP, and them remain within the limits established by the current legal regulations. The reserve funds held in BCRP do not earn interest.

Likewise, as of December 31, 2019, the Bank maintains overnight deposits in the BCRP in foreign currency and earn interests at an average annual effective rate of 1.57 percent and maturing in January 2020.

(c) Deposits in local and foreign banks correspond mainly to balances in soles and in US dollars, are freely available and earn interest at market rates.

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4. Investments

(a) This item is made up as follows:

Type of instrument	2019				2018			
	Quantity	Amortized cost S/(000)	Unrealized results S/(000)	Estimated fair value S/(000)	Quantity	Amortized cost S/(000)	Unrealized results S/(000)	Estimated fair value S/(000)
Investments at fair value through profit or loss (b) -								
Corporate bonds	25,500	-	-	61,304	-	-	-	-
Supranational bonds	2,000	-	-	4,759	-	-	-	-
Total investments at fair value through profit or loss	27,500	-	-	66,063	-	-	-	-
Available-for-sale investments -								
Equity instruments (c)								
Bladex	446,558	11,599	20,085	31,684	446,558	11,599	14,730	26,329
Debt Instruments								
Republic of Peru's Sovereign Bonds(d)	4,235,155	4,230,453	72,051	4,302,504	3,069,743	3,158,974	(44,360)	3,114,614
BCRP Certificate of Deposits (e)	2,750,000	2,712,708	4,986	2,717,694	25,376	2,516,747	(419)	2,516,329
Treasury notes (f)	6,843,371	679,292	556	679,848	15,175,983	1,505,943	(90)	1,505,853
Peruvian Government Global Bonds (d)	50,000	174,721	(3,657)	171,064	250,000	926,759	(43,217)	883,542
Corporate bonds (d)	19,995	65,536	1,522	67,057	63,868	218,495	(31,273)	187,223
Supranational bonds (d)	880	3,275	(132)	3,144	134,000	450,901	(12,260)	438,641
US Global bonds (d)	100,000	34,099	(1,491)	32,608	-	-	-	-
Chilean Government Global Bonds (d)	5,000	16,808	(144)	16,664	-	-	-	-
Colombian Government Global Bonds (d)	-	-	-	-	56,000	199,211	(9,089)	190,121
Mexican Government Global Bonds (d)	-	-	-	-	92,000	313,758	(15,594)	298,163
Total available-for-sale investments	14,450,959	7,928,491	93,776	8,022,267	19,313,528	9,302,387	(141,572)	9,160,815

(b) During 2019, the Bank made a change in the classification of ten corporate bonds and one supranational bond, classified as of December 31, 2018 as available-for-sale investments, to the category of investments at fair value through profit or loss. The fair value of these corporate bonds as of December 31, 2019 amounted to S/66.06 million. The accumulated balance of the unrealized net loss of these investments included in the "Unrealized results" caption of the net equity at the reclassification date for S/24.36 million was transferred to the caption "Gain on financial transactions " in the statement of comprehensive income. This reclassification has been carried out as required by the SBS in its inspection visit report No. 106-VIG / 2019-DSB "E", considering the speculative characteristics of such instruments and the complexity of its recovery.

As of December 31, 2019 and 2018, Bank's Management has estimated the market value of the investments at fair value through profit or loss based on the available market prices or, if them do not exist, discounting the expected cash flows at an interest rate that reflects the risk rating of the security.

(c) As of December 31, 2019 and 2018, it corresponds to common class shares "A" issued by Banco Latinoamericano de Comercio Exterior S.A. - Bladex representing 1.1 percent of its share capital. At those dates, the fair value per share was US$21.41 and US$17.48, respectively.

(d) Bonds -

Republic of Peru's Sovereign Bonds–

Corresponds to sovereign bonds issued by the Peruvian Government in soles. Them are acquired at rates and prices offered in the market at the trade date.

During 2019, the Bank exchanged Peruvian Sovereign loans for Sovereign Bonds maturing between 2029 and 2037 for a fair value of S/2,420 millions. This transaction took place between January and July 2019, in accordance to the "Settle Borrowings Agreement" that the Bank maintains with the Ministry of Economy and Finance of Peru, hereinafter "MEF", see note 5(b). Such bonds were acquired through a public auction by MEF.

Peruvian Government Global Bonds -

Global bonds are debt instruments issued by the Peruvian Government in foreign currency. Mainly in US dollars.

Corporate bonds -

The detail of corporate bonds is made up as follows:

	2019 S/(000)	2018 S/(000)
Edelnor	21,511	21,206
Red de Energía del Perú	18,061	17,203
Luz del Sur S.A.A.	15,000	21,447
Citigroup	-	33,225
JP Morgan Chase Bank -New York	-	12,861
Other minor to S/10.0 million	12,485	81,281
	67,057	187,223

As explained in (b) above, in December 2019, the Bank made a change in the classification of ten corporate bonds, classified as of December 31, 2018 as available-for-sale investments, to the category of Investments at fair value through profit or loss. The value of these corporate bonds as of December 31, 2019 and 2018 amounted to S/61.30 million and S/54.5 million, respectively. It should be noted that, as of December 31, 2019, such instruments are presented as part of the item "Investments at fair value through profit or loss".

Supranational bonds -

Correspond to debt instruments issued by the international institutions with the objective of obtaining funds directly from the financial markets. As of December 31, 2018, supranational bonds corresponded to bonds issued by the World Bank and the Inter-American Development Bank in US dollars.

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It should be noted that, in December 2019, the Bank reclassified the supranational bond issued by the World Bank to available-for-sale investments category, see (b) above. The value of this bond as of December 31, 2019 amounted to S/4.76 million.

US Global bonds -
Global bonds issued by the U.S. Department of the Treasury were acquired in August 2019.

Chilean Government Global Bonds -
Global bonds issued by the Chilean Government were acquired in August 2019.

Colombian and Mexican Government Global Bonds -
During 2019, as a strategy to mitigate the currency risk, the Bank sold the global bonds issued by the Colombian and Mexican Government.

(e) The BCRP Certificate of Deposits, are titles in national currency, freely negotiable.

(f) The Treasury notes are debt instruments issued by the treasury on behalf of the Republic of Peru which are acquired at a discount and a nominal unit value of S/100. The gain obtained comes from the difference between the discounted price paid to acquire them and the nominal value that was redeemed at its maturity.

(g) As of December 31, 2019 and 2018, Management has estimated the market value of the available-for-sale investments on the basis of available prices on the market or, in their absence, by discounting expected cash flows at an interest rate that reflects the risk classification of the title.

(h) The Bank's Management has determined that the unrealized losses of its available-for-sale investments as of December 31, 2019 and 2018 are of a temporary nature. In Management opinion, the Bank has the intention and the ability to hold each one of the available-for-sale investments that have unrealized loss for a period of time sufficient that allows an anticipated recovery in fair value or until the maturity thereof in the case of debt instruments .

(i) As of December 31, 2019, the Bank has a deferred income tax liability of S/6.56 million, generated by the unrealized income on certain investments available-for-sale investments that are affected to the income tax by approximately S/22.24 million (net deferred income tax asset for approximately S/17 million, generated by the net loss not made of certain investments available for sale that are affected to the income tax by S/57.66 million as of December 31, 2018), see note 13.

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(j) As of December 31, 2019 and 2018, the maturities and the internal rates of return of the available-for-sale investments and at fair value through profit or loss are as follows:

	Maturity		2019				2018			
			S/		US$		S/		US$	
	2019	2018	Min	Max	Min	Max	Min	Max	Min	Max
			%	%	%	%	%	%	%	%
Investments at fair value through profit or loss (b) -										
Corporate bonds	Jan-29 / Sep-34	-	-	-	0.01	0.43	-	-	-	-
Supranational bonds	Nov -34	-	-	-	0.07	0.07	-	-	-	-
Available-for-sale Investments -										
Republic of Peru's Sovereign Bonds	Jan-26 / Aug-40	Sep-23 / Feb-42	3.85	5.41	-	-	3.85	5.98	-	-
BCRP Certificate of Deposits	Jan-21/Jul- 21	Jan-19 / Dec-19	2.23	2.92	-	-	2.55	2.94	-	-
Treasury Notes	Jan-20/Nov- 20	Jan-19 / Nov-19	2.23	2.61	-	-	2.33	2.47	-	-
Peruvian Government Global Bonds (d)	Jun -30	Aug-27	-	-	2.28	2.28	-	-	3.03	3.03
Corporate bonds	Mar-20 / Apr-23	Apr-19 / Jul-34	4.00	6.89	6.30	6.30	4.00	6.89	0.01	6.12
Supranational bonds	Feb-45	Aug-20 / Nov-34	-	-	-	-	-	-	0.07	2.05
US Global bonds	Aug-49	-	2.17	2.17	-	-	-	-	-	-
Chilean Government Global Bonds	Oct-22	-	1.48	1.48	-	-	-	-	-	-
Mexican Government Global Bonds	-	Feb-24 / Jan-41	-	-	-	-	-	-	3.55	5.25
Colombian Government Global Bonds	-	Jan-26 / Feb-48	-	-	-	-	-	-	3.46	5.07

During the years 2019 and 2018, the Bank recorded accrued interest of approximately S/331.57 million and S/329.04 million, respectively, which were recorded in "Income from investments available-for-sale" of the caption "Interest income" in the statements of comprehensive income. See note 17.

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(k) The balance of investments available-for-sales and at fair value through profit or loss as of December 31, 2019 and 2018, classified by maturity is made up as follows:

	2019 S/(000)	2018 S/(000)
Up to 3 months	1,115,276	2,127,299
From 3 months to 1 year	1,919,901	1,913,080
From 1 to 3 years	436,426	153,508
From 3 to 5 years	9,660	1,673,646
More than 5 years	4,575,382	3,266,953
Without maturity (shares)	31,685	26,329
Total	8,088,330	9,160,815

(l) Investments held-to-maturity:

	2019 S/(000)	2018 S/(000)
Bonds D.S. N°002-2007 (i)	298,602	547,047
Subordinated bonds BS12FEB2029 (ii)	1,488,708	1,488,495
Accrued interest (ii)	38,697	15,006
	1,826,007	2,050,548

The accrued interest during 2019 of investment held-to- maturity portfolio amounted to approximately S/107.18 million (approximately S/119.89 million during 2018) and is included in the caption "Interest income" of the statement of comprehensive income.

(i) Through Supreme Decree No.002-2007-EF dated January 11, 2007, the MEF repealed the Supreme Decree No.210-2006-EF dated December 27, 2006, which established, among other matters, the reconciliation of the reciprocal obligations held by the MEF and the Bank as of September 30, 2006, signing a reciprocal borrowing reconciliation Certificate (hereinafter "Reconciliation Certificate") on December 28, 2006.

The aforementioned Supreme Decree ratified the Reconciliation Certificate, stating that the reconciled obligations as of September 30, 2006 are updated as of January 1, 2007, according to the criteria established in the Reconciliation Certificate. In this regard, it stated that compensation and total cancellation of MEF's obligations in favor of the Bank would be on January 2, 2007.

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Reciprocal debts reconciled as of September 30, 2006 resulting from the Reconciliation Certificate, signed on December 28, 2006, resulted in debts of the MEF in favor of the Bank for US$31.3 million, and Bank debts in favor of the MEF for US$72.4 million, obtaining a net debt in favor of the MEF for US$41.1 million.

Likewise, in the Reconciliation Certificate signed between the MEF and the Bank updated as of January 1, 2007, determined additional borrowings of the MEF in favor of the Bank for S/64.3 million and US$849.2 million for various borrowing operations approved by explicit legal norms.

As a result of the reciprocal borrowing reconciliation Certificate signed between the MEF and the Bank on December 28, 2006 and January 1, 2007, all compensated reciprocal debt is as follows:

	S/(000)	US$(000)
Debt of the MEF in favor of the Bank (i):		
Certificate - December 28, 2006	-	31,335
Certificate - January 1, 2007	64,338	849,171
Debt of the Bank in favor of the MEF (ii):		
Certificate - December 28, 2006	-	(72,414)
Debt of the MEF in favor of the Bank (I) – (ii)	64,338	808,092

Through Supreme Decree No.002-2007 -EF, amended by the Consolidate, Offset and Settle Borrowings Agreement ("Convenio de Consolidación, Compensación y Cancelación de Obligaciones") signed between the MEF and the Bank on March 26, 2007; the following conditions were established arising from the offsetting of the reciprocal borrowings between the MEF and the Bank:

- MEF compensated the debt in favor of the Bank providing on March 30, 2007 a bond for S/2,644.6 million; therefore, the debt in US dollars was translated using the selling exchange rate published by the SBS at closing of transactions on January 2, 2007 for S/3.193 per US$1.

- The bond was issued under the following characteristics:
  - Denominated in Soles
  - Non-negotiable
  - Maturity date: 30 years
  - Amortizable annually
  - Yearly interest rate 6.3824 percent, payable quarterly
  - Book-entry in CAVALI SA I.C.L.V.

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- Bond annual amortization will be charged to the net profits of the Bank for an amount equivalent to no less than 30.0 percent of the profits which corresponds to the Public Treasury. In any case, the amortization cannot be less than S/60.0 million. If profits corresponding to the Public Treasury are not sufficient to cover this amount, the MEF will provide the difference charging it to budget items allocated to the public debt service.

- If the bond reaches maturity there are outstanding balances, the MEF will settle them.

- Bond's accrued interest will be settled by the MEF.

Because bonds holding issued by the MEF was made under a law (by Supreme Decree No. 002-2007-EF), where interests are canceled with money resources of the MEF and amortization could be made with resources from the MEF itself (if the Bank does not generate profits), the Bank's Management defined it as an investment to be held until maturity, taking into account both the intent and the Bank's ability to hold these bonds to maturity.

The balance of this bond as of December 31, 2019 and 2018 amounted to S/298.60 million and S/547.05 million, respectively.

In Board of Directors Meeting No.2250 held on May 23, 2019, the Bank approved the distribution of net profits for the year 2018, in favor of the Public Treasury. Consequently, an annual amortization of the Bond was made for approximately S/248.54 million (includes approximately S/3.0 million of interest earned), as a result of such distribution, see note 14(d).

In Board of Directors Meeting No. 2201 held on May 9, 2018, the Bank approved to distribution of net profits for the year 2017 in favor of the Public Treasury. Consequently, an annual amortization of the Bond was made for approximately S/226.11 million, as a result of such distribution, see note 14(d).

(ii) During the years 2013 and 2014, the Bank and the MEF entered into various loan agreements and debt management agreements in order to establish Debt Management operations under the modality of refinancing of the obligations arising from the Loans granted to the MEF for financing: (ii) The first stage of seven (7) projects executed by the Ministerio de Defensa (Ministry of Defense) (DS No. 267-2013), (ii) a set of additional requirements of the Ministry of Defense (DS No. 358-2013-EF), (iii) part of components of eight (8) investment projects to be implemented by the Ministry of Defense (DS No. 359-2013), (iv) investment portfolios projects of the Municipalidad Provincial de Chincheros (Provincial Municipality of Chincheros) (DS No. 331-2014-EF) and (v) The project of recovery of the basic flight instruction service with fixed wing aircraft in Fuerza Aérea del Perú (Peru's Air Force) - Division N°51" (DS No. 211 -2012-EF); whose maturity period was agreed for July 2017. Under this modality, the MEF would deliver, at the end of the payment period, in Bank’s property sovereign bonds for a total amount of S/2,073.1 million, within the framework of the Reconciliation Certificate of disbursements of the aforementioned Supreme Decrees.

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Accordingly, in July 2017, the Bank classified the bonds received in payment from the Debt Management agreement between the Bank and the MEF, as follows:

- Available-for-sale investments. Bonds delivered on July 4, 2017 – BS12AGO2026 for S/606.8 million; and

- Held-to-maturity investments. Bonds delivered on July 6, 2017 BS 12FEB2029 for S/1,466.3 million (which included accrued interest to the date of approximately S/33.6 million). As of December 31, 2017, the balance of these bonds amounted to S/1,464.5 (including accrued interest).

Regarding to 12FEB2029 sovereign bond, the Bank's Management defined it as an investment to be held until maturity, considering both the intent and the Bank's ability to hold these bonds to maturity. Such bond was issued under the following characteristics:

- Denominated in Soles.
- Freely negotiable.
- Sovereign bond with a maturity on 12 February 2029.
- Amortizable annually
- Coupon rate of 6.0 percent per year with semi-annual interest payment
- Bookkeeping in CAVALI SA I.C.L.V.

As of December 31, 2019, the balance of this bond amounted to S/1,488.7 million (S/1,488.5 million as of December 31, 2018).

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5. Loan portfolio, net

(a) As of December 31, 2019 and 2018, this item is made up as follows:

	2019 S/(000)	2018 S/(000)
Direct loans		
Current		
Consumer loans	5,479,795	5,570,396
Sovereign loan – MEF (b)	516,508	3,104,374
Mortgage loans	323,191	290,373
Loans to financial system	109,081	142,980
Loans to public sector entities	77,251	257
Refinanced	13,988	10,379
Past due	108,182	75,893
Legal collection	41,750	38,467
Total	6,669,746	9,233,119
Add (less)		
Accrued interest from current loans	42,895	55,730
Deferred interest income on refinanced loans	(3,192)	(2,059)
Provision for loan losses (f)	(389,757)	(356,394)
Total Direct loans	6,319,692	8,930,396
Indirect loans, (d) and Note 16(a)	192,487	238,540

(b) It corresponds to credits granted to public sector entities that possess items allocated by the public treasury to pay specifically for such exposures; which are requested exclusively by the MEF through Supreme Decrees. During 2019, the Bank exchanged Peruvian Sovereign loans for Sovereign Bonds maturing between 2029 and 2037 for a fair value of S/2,420 millions. This transaction took place between January and July 2019, in accordance to the "Settle Borrowings Agreement" that the Bank maintains with the Ministry of Economy and Finance of Peru, hereinafter "the MEF", see note 4(b). Such bonds were acquired through a public auction of the MEF.

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(c) As of December 31, 2019 and 2018, the direct loan portfolio, segmented by type of credit, is as follows:

	2019 S/(000)	2018 S/(000)
Non-retail loans		
Corporate	702,898	3,247,826
Medium-business	6,311	6,347
	709,209	3,254,173
Retail loans		
Revolving and non-revolving consumer loans	5,634,748	5,686,264
Mortgage	325,151	292,039
Small-business	600	605
Micro-business	38	38
	5,960,537	5,978,946
Total	6,669,746	9,233,119

A part of the loan's portfolio is support with guarantees received from customers, which are mainly employees and pensioners of the State and government agencies. Such guarantees are shaped in its majority by mortgages, bonds, deposits and securities.

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(d) According to SBS regulations, as of December 31, 2019 and 2018, the Bank's loan portfolio risk classification is as follows:

Risk category	2019					
	Direct loans		Indirect loans		Total	
	S/(000)	%	S/(000)	%	S/(000)	%
Normal	6,310,765	94.62	159,947	83.09	6,470,712	94.29
With potential problems	52,057	0.78	-	-	52,057	0.76
Substandard	50,621	0.76	-	-	50,621	0.74
Doubtful	110,985	1.66	32,540	16.91	143,525	2.09
Loss	145,318	2.18	-	-	145,318	2.12
Total	6,669,746	100	192,487	100	6,862,233	100

Risk category	2018					
	Direct loans		Indirect loans		Total	
	S/(000)	%	S/(000)	%	S/(000)	%
Normal	8,948,609	97.02	229,077	96.03	9,177,686	96.90
With potential problems	47,803	0.52	-	-	47,803	0.51
Substandard	42,028	0.45	-	-	42,028	0.44
Doubtful	84,554	0.92	9,463	3.97	94,017	0.99
Loss	110,125	1.19	-	-	110,125	1.16
Total	9,233,119	100	238,540	100	9,471,659	100

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(e) As of December 31, 2019 and 2018, financial entities in Peru must constitute provisions for direct loan considering the risk classification aforementioned and using the percentages established by SBS Resolutions No.11356-2008 and No.6941-2008, as detailed below:

(i) For debtors classified as "Normal"

Loan Type	Fixed rate %	Pro-cyclical component (*) %
Non-retail loans -		
Corporate	0.70	0.40
Large-business	0.70	0.45
Medium-business	1.00	0.30
Small and micro-business loans -		
Small-business	1.00	0.50
Micro-business	1.00	0.50
Mortgage loans	0.70	0.40
Consumer loans -		
Revolving consumer loans	1.00	1.50
Non-revolving consumer loans	1.00	1.00

(*) In case the loan granted has highly liquid preferred guarantees (LWHLPG), the pro-cyclical component shall be 0, 0.25 or 0.30 percent, depending on the loan type. As indicated in Note 2(f), the pro-cyclical component was deactivated by the SBS as of November 2014.

(ii) For debtors classified as "with potential problems", "Substandard", "Doubtful" or "Loss" depending on whether the loans are: Loans Without Guarantees (LWG), Loans With Preferred Guarantees (LWPG) Loans With Readily Preferred Guarantees (LWRPG) or Loans With Highly Liquid Preferred Guarantees (LWHLPG), as of December 31, 2019 and 2018, the following percentages are applied:

Risk category	LWG %	LWPG %	LWRPG %	LWHLPG %
With potential problems	5.00	2.50	1.25	1.00
Substandard	25.00	12.50	6.25	1.00
Doubtful	60.00	30.00	15.00	1.00
Loss	100.00	60.00	30.00	1.00

According to SBS Resolution No. 11356-2008, for Loans With Highly Liquid Preferred Guarantees (LWHLPG), specific provisions are constituted for the covered portion, considering a percentage of not less than 1 percent.

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For loans subject to substitution of credit counterparty, note 2(e), the provision requirement depends on the classification of the respective counterparty, for the amount covered, regardless of the debtor's credit risk classification, applying the percentages indicated above.

(f) The movement of the provision for loan losses (direct loans) is as follows:

	2019 S/(000)	2018 S/(000)
Balance as of January 1	356,394	304,502
Provision, net of recoveries	35,910	60,047
Loan portfolio written-off	(2,510)	(8,299)
Exchange difference and other	(37)	144
Balance as of December 31	389,757	356,394

As of December 31, 2019 and 2018, the provision for direct doubtful loans includes a voluntary generic provision amounting to S/49.66 million corresponding to the provision that was determined under the procyclical rule.

As of December 31, 2019 and 2018, the provision for indirect loans is approximately S/7.70 million and S/8.05 million, respectively, which are presented in the caption "Other liabilities" of the statements of financial position, note 8(a).

In management's opinion, the provision for loan losses recorded as of December 31, 2019 and 2018 is in accordance with SBS regulations in force on those dates.

(g) The interests generated by the loan are agreed freely considering the interest rates in force in the markets where the Bank operates. As of December 31, 2019 and 2018, the annual effective rates for the main products were:

	2019		2018	
	National currency	Foreign currency	National currency	Foreign currency
Overdrafts	9.00 - 17.00	12.00	6.00 - 17.00	12.00
Corporate loans	7.10 - 13.10	8.00	7.10 - 13.50	8.00
Consumer loans	10.0 - 19.0	-	10.0 - 19.0	-
Credit card	19.0 - 32.0	-	19.0 - 32.0	-
Mortgage loans	7.00 - 9.25	-	7.00 - 9.25	-

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Interests, commissions and expenses over loans or installments that are refinanced, past due, under legal collection, or classified in the "Doubtful" or "Loss" categories, are recorded as "Suspended interest income" and are recognized in the Income statements when those are effectively collected. Amounts not recognized as income for this concept amounted to S/38,964.44 million and S/24,407.24 million in 2019 and 2018, respectively.

(h) Set out below is the direct loan portfolio as of December 31, 2019 and 2018, according to their contractual maturities:

	2019 S/(000)	2018 S/(000)
Outstanding loans -		
Up to 1 month	187,357	2,231,260
From 1 to 3 months	406,154	397,194
From 3 months to 1 year	1,642,104	2,010,975
From 1 to 3 years	3,195,581	3,319,060
From 3 to 5 years	850,183	950,559
More than 5 years	224,447	199,332
Refinanced	13,988	10,379
Past due and under legal collection loans	149,932	114,360
Total	6,669,746	9,233,119

6. Accounts receivables, net

(a) As of December 31, 2019 and 2018, this item is made up as follows:

	2019 S/(000)	2018 S/(000)
Receivables to COFIDE - FORPRO (b)	-	175,665
Receivables to COFIDE - FOGEM (c)	-	58,982
Receivables to COFIDE – CRECER (d)	251,674	-
Receivable for sale of securities (e)	36,800	-
Claims to third parties (f)	32,153	28,633
Commissions (g)	20,425	21,474
Other receivables	18,296	8,799
Advances to staff	1,430	2,293
Advances to suppliers	850	1,697
Receivables to MEF	106	106
	361,734	297,649
Provision for claims to third parties	(4,685)	(4,703)
Provision for other receivables	(685)	(263)
Total	356,364	292,683

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(b) Fondo para el Fortalecimiento Productivo de las MYPE-FORPRO (Fund to Develop Micro-Business, hereinafter "FORPRO" by its acronym in Spanish) was incorporated under Emergency Decree (ED) No.008-2017 issued on April 22, 2017 with uncommitted resources that were transferred from the following funds: (i) Fondo MIPYME (MIPYME Fund), incorporated by Law N°30230, (ii) Fondo de Respaldo para la pequeña y mediana empresa (Fund to Develop Small and Medium Businesses) – ED No. 050-2002 and (iii) Fondo de Garantía Empresarial (Business Guarantee Fund) – FOGEM, incorporated by ED No. 024-2009.

Regarding, the MEF and the Bank were authorized to transfer uncommitted resources from FOGEM, see paragraph (d) below, to FORPRO for S/176.2 million. The Bank ownership in such Fund is approximately 24.9%.

The objective of FORPRO is to facilitate and develop the financing, reactivate and strengthen the productive development of the small business, through: (i) Financing to the acquisition or renewal of fixed assets and working capital and (ii) granting guarantees and financing through other financial instruments. FORPRO expires on December 31, 2018, according to paragraph 9.5 of article 9 of ED N°008-2017.

The administration of FORPRO was commissioned to Corporación Financiera de Desarrollo S.A. (COFIDE) through the Dirección General de Endeudamiento y Tesoro Público (General Direction of Indebtedness and Public Treasury); under terms and conditions of the contract signed between both institutions.

During 2019, the Bank recognized a gain of S/11.85 million from this fund, which is presented in the caption "Valuation of assets and provisions" of the statement of comprehensive income, see note 21.

According to Ministerial Resolution No.276-2019-EF/ 52, published on July 12, 2019, the CRECER Fund Administration Trust Contract was approved. Such contract was signed between the MEF, Banco de la Nación and COFIDE, see paragraph (d) below. As a result of the creation of this fund, the funds held by the Bank in FORPRO fund must to be transferred to CRECER fund. In this sense, as of December 31, 2019, a total of S/185.71 million was transferred to CRECER fund, composed of the initial balance of FORPRO of S/173.86 million (balance as of January 1, 2019 of S/175.67 million, less the withheld taxes in 2019 for S/1.81 million) plus the profit obtained by FORPRO during 2019 for S/11.85 million. The gain was recorded in the "Valuation of assets and provisions" account of the statement of comprehensive income, see note 21.

As of December 31, 2018, the balance of FORPRO was S/175.67 million, made up of the contribution made by the Bank in 2017 of S/176.18 million, less the withheld taxes from 2018 of S/0.51 million, for the profitability obtained in the period.

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Notes to the financial statements (continued)

(c) Though Emergency Decree No.024-2009 issued on February 20, 2009, the Business Guarantee Fund was established ("Fondo de Garantía Empresarial - FOGEM") that is an autonomous equity constituted with an amount of US$98.04 million, equivalent to S/300.0 million, executed by the Bank charging to its own resources, and the FOGEM's administration was in charged to the Corporación Financiera de Desarrollo S.A. (COFIDE); under the terms and conditions of the contract signed between the two institutions.

The objective of FOGEM is to guarantee loans that the financial entities, members of the National Financial System, grant for micro and small services, trade and productive company, and for the median company that performs production activities and/or services within chains of non-traditional exports.

The effective period to make use of the FOGEM was 2 years, from the effective date of the Operating Rules; however, Emergency Decree No.058-2011 issued on October 26, 2011, extended such period up to September 30, 2012, and by public-sector budget law ("Ley de Presupuesto del Sector Público") for fiscal year 2014 in its "Centésima Primera Disposición Complementaria Final", the effective period to make use of FOGEM was extended until December 31, 2016 and, by Legislative Decree No.1282 that modifies Law No.29623, Law that promotes the financing through commercial invoice and to extend the period to make use of FOGEM, will extend this period until December 31, 2021.

As of December 31, 2018, FOGEM's balance amounted to S/58.98 million, after the transfer made to FORPRO for S/176.17 million as a result of the issuance of Emergency Decree No. 008-2017 published on April 22, 2017.

During 2019 and 2018, the Bank recorded a profit and a loss, respectively, for the amounts of S/8.53 million and S/8.56 million, respectively; presented in the caption "Valuation of assets and provisions" of the statement of comprehensive income, see note 21.

As of December 31, 2019, the balance of the FOGEM fund in the amount of S/65.96 was transferred to the CRECER fund, as explained in paragraph (d) below.

(d) According to Legislative Decree No.1399 published on September 9, 2018, CRECER fund was created and was constituted by the following funds: (i) The MIPYME Fund, created by Law No.30230, that establishes tax measures, simplification of procedures and allows for the promotion and revitalization of the country's investment. (ii) The Support Fund for Small and Medium Enterprises constituted by Emergency Decree No.050-2002. (iii) The Fondo de Garantía Empresarial- FOGEM (Business Guarantee Fund, hereinafter "FOGEM" by its acronym in Spanish) created by Emergency Decree No.024-2009. (iv) The Fondo para el Fortalecimiento Productivo de las MYPE-FORPRO (Fund to Develop Micro- Business, hereinafter "FORPRO" by its acronym in Spanish), created by Emergency Decree No.008-2017, which dictates measures complementary for the attention of emergencies generated by the phenomenon of the Coastal Child and for the reactivation and productive strengthening of the micro and small companies.

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The objective of CRECER Fund is to promote the productive and business development of micro, small and medium businesses and exporting businesses due to their high impact on the national economy, through financing, granting of guarantees and the like, and other financial products. The term of the CRECER Fund is 30 years.

The aforementioned Legislative Decree provides for the liquidation of the FOGEM and FORPRO funds and authorizes the MEF and the Banco de la Nación to terminate the trust contracts and trust commission agreements, as appropriate signed with COFIDE.

According to Ministerial Resolution No.276-2019-EF/52, published on July 12, 2019, the CRECER Fund Administration Trust agreement is approved, which was signed between the MEF, Banco de la Nación and COFIDE.

The Bank transferred all cash resources and assigned resources from FOGEM, also transferred 24.65 percent of all cash resources and assigned resources from FORPRO, that amounted a total of S/251.67 million.

As of December 31, 2019, the balance of the CRECER fund amounts to S/251.67 million, made up of the resources transferred from the FORPRO fund for a total of S/185.71 million plus the resources transferred from the FOGEM fund for S/65.96 million.

(e) As of December 31, 2019, it corresponds to accounts receivable for the sale of four (4) sovereign bonds issued by the MEF that matures in August 2040 and amounted to S/36.80 million. Such account was collected on January 2, 2020.

(f) As of December 31, 2019, the balance corresponds mainly to: (i) S/16.01 million for the deposits under guarantee that the Bank carried out in the collection account of the Poder Judicial (Judiciary) for those trials declared as remote, (ii) accounts receivable for "Pension 65" program amounting to S/2.39 million (these amounts correspond to reimbursement by the executing units of social programs), (iii) claims of ex-workers for S/2.28 million, (iv) claims to banks in liquidation for S/2.12 million and (v) various claims for S / 9.35 million.

As of December 31, 2018, the balance corresponds mainly to: (i) S/13.49 million for the deposits under guarantee that the Bank carried out in the collection account of the Poder Judicial (Judiciary) for those trials declared as remote, (ii) accounts receivable for "Juntos" and "Pension 65" programs amounting to S/4.49 million (these amounts correspond to reimbursement by the executing units of social programs), (iii) claims of ex-workers for S/2.26 million, (iv) claims to banks in liquidation for S/2.12 million and (v) various claims for S/6.27 million.

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(g) As of December 31, 2019, the balance corresponds mainly to: (i) S/9.85 million of commission receivable for judicial and administrative deposits that the Poder Judicial (Judiciary) keeps in the Bank, (ii) S/4.91 million of commissions to insurance companies, (iii) S/3.64 million of commission receivable for the loss of judicial and administrative deposits, (iv) trust for S/1.83 million, (v) S/181 thousand in fees receivable to executive units of "Pension 65" and "Juntos" Social Programs for distribution of money services to its beneficiaries around the country and (vi) S/7 thousand for other minors.

As of December 31, 2018, the balance corresponds mainly to: (i) S/9.80 million commission receivable for judicial and administrative deposits that the Poder Judicial (Judiciary) keeps in the Bank, (ii) S/5.15 million of commissions to insurance companies, (iii) trust for S/1.89 million, (iv) S/1.45 million in ONP's commissions, (v) S/3.18 million in fees receivable to executive units of "Pension 65" and "Juntos" Social Programs for distribution of money services to its beneficiaries around the country and (vi) S/3 thousand for other minors.

7. Property, furniture and equipment, net

(a) During 2019 and 2018, the movement of this item is as follows:

	Land S/(000)	Buildings and other constructions S/(000)	Improvements in rented property and Installations S/(000)	Furniture and equipment S/(000)	Computer equipment S/(000)	Vehicles S/(000)	Work in progress and in transit units S/(000)	Total S/(000)
Cost								
Balance as of January 1, 2018	58,963	740,923	16,561	192,221	319,672	8,465	74,563	1,411,368
Additions (b)	19,083	26,513	-	3,295	34,640	-	11,096	94,627
Transfers	-	(15,365)	-	4,036	19,727	-	(8,398)	-
Disposals (c)	(8,051)	(59,301)	-	(5,506)	(504)	-	(37,895)	(111,257)
Balance as of December 31, 2018 (i)	69,995	692,770	16,561	194,046	373,535	8,465	39,366	1,394,738
Additions	-	-	-	1,587	5,099	-	7,078	13,764
Transfers	-	11,487	3,064	1,549	4,888	-	(20,988)	-
Disposals (c)	(530)	(1,712)	-	(2,464)	(16,680)	(1,535)	(4,653)	(27,574)
Balance as of December 31, 2019 (iv)	69,465	702,545	19,625	194,718	366,842	6,930	20,803	1,380,928
Depreciation								
As of January 1, 2018	-	249,890	15,199	93,786	225,998	6,545	-	591,418
Depreciation for the year	-	18,682	646	14,216	44,776	788	-	79,108
Disposals	-	(20,798)	113	(5,000)	5,894	-	-	(19,791)
Balance as of December 31, 2018 (ii)	-	247,774	15,958	103,002	276,668	7,333	-	650,735
Depreciation for the year	-	17,767	1,033	14,000	42,373	627	-	75,800
Disposals (c)	-	(481)	-	(2,464)	(13,011)	(1,535)	-	(17,491)
Balance as of December 31, 2019 (v)	-	265,060	16,991	114,538	306,030	6,425	-	709,044
Impairment as of December 31, 2018 (g)	9,449	16,359	-	2,003	-	-	-	27,811
Impairment as of December 31, 2019 (g)	7,316	12,112	-	2,003	-	-	-	21,431
Net book value								
As of December 31, 2018 (i)-(ii)-(iii)	60,546	428,637	603	89,041	96,867	1,132	39,366	716,192
As of December 31, 2019 (iv)-(v)-(vi)	62,149	425,373	2,634	78,177	60,812	505	20,803	650,453

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(b) The additions in 2018 correspond mainly to the acquisition of the land and building owned by the Ministerio de Vivienda, Construcción y Saneamiento (Ministry of Housing, Construction and Sanitation) located at Av. Arqueología No.130 and Av. Javier Prado No.2496 (San Borja district) for S/19.1 million and S/26.5 million, respectively. Likewise, during 2018, computer equipment additions were made for S/34.64 million, which mainly corresponded to equipment of wireless networks and servers for the bank's head office.

The additions in 2019 correspond mainly to the acquisition of computer equipment for its agencies around the country for S/4.00 million and works in progress for S/4.27 million for construction work carried out mainly in the agencies from Huánuco and Arequipa.

(c) During 2019, the Bank sold the Palacio Building, located at Jr. De la Unión 246-264 (Cercado de Lima district), to the Ministerio de Economía y Finanzas (Ministry of Economy and Finance) for US$6.10 million (equivalent to S/20.44 million) presented in the caption "Other income, net" of the statement of comprehensive income, see note 22. In accordance to legal regulation-Law No.30879 - "Public Sector Budget Law for the 2019 fiscal year". As indicated in the sale and purchase contract, the MEF canceled an amount of US$3.08 (equivalent to S/10.2 million) which corresponds to 50 percent of the total sale value of the asset and the difference will be applied against the transfer of profits generated for the period 2019. The net cost of the sale of this property amounted to S/1.76 million and is presented in the caption "Other income, net" on the income statement, see note 22.

On the other hand, during 2019, the Bank derecognized computer equipment due to its obsolescence of S/3.67 million. Likewise, during 2019 the Bank reviewed the balance of the item Work in progress and in transit units and based on such review made an adjustment of S/4.65 million. These effects were recorded in the derecognition assets account under "Other income, net" in the income statement, see note 22.

As of December 31, 2018, corresponds mainly to the sale of the land and building owned by the Bank – ex head office (Av. República de Panamá 3664 - San Isidro District) to the Ministry of Housing, Construction and Sanitation for S/113.00 million presented in the caption "Other income, net" of the statement of comprehensive income, see note 22. At the date of the sale, the cost of the sale of the land amounted to S/8.00 million and the cost of the sale of the building amounted to S/25.05 million (cost of S/52.64 million, net of accumulated depreciation of S/16.49 million and impairment of S/11.10 million) and is presented in the caption "Other income, net" of the income statement, see note 22.

(d) Banks in Peru are prohibited from pledging their fixed assets.

(e) The Bank maintains insurance on its main assets in accordance with the policies established by the management.

(f) Management periodically reviews the assets' residual value, the useful life and the depreciation method used; in order to ensure them are consistent to the economic benefits and life expectancy.

(g) In 2010, the Bank performed the appraisal of its lands and properties; due to these appraisals, the Bank recorded impairment in lands and buildings for approximately S/8.6 million and S/31.6 million, respectively. Also, in 2011, it recorded S/0.4 million for an unrecognized impairment of buildings adjustment that came from year 2010; in 2013, the Bank recorded an impairment of its land due to the incorporation of awarded land, which is located at Ate district.

The movement of the impairment of the Property, furniture and equipment for the years ended as of December 31, 2019 and 2018 is as follows:

	2019 S/(000)	2018 S/(000)
Balance as of January 1	27,811	38,908
Decrease for sale of assets (c)	-	(11,097)
Reversion, note 21(a)	(10,816)	-
Additions, note 21(a)	4,436	-
Balance as of December 31	21,431	27,811

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8. Other assets, net and other liabilities

(a) As of December 31, 2019 and 2018, this item is made up as follows:

	2019 S/(000)	2018 S/(000)
Other assets, net		
Financial instruments		
Operations in process (b)	135,821	57,351
Head office and branches (c)	24,943	4,871
	160,764	62,222
Non-financial instruments		
Intangibles, net (d)	48,362	46,253
Recoverable income tax (e)	21,677	57,042
Advance payments and deferred Changes	12,241	11,798
Other minors	1,888	1,898
	84,168	116,991
Total	244,932	179,213
Other liabilities		
Financial instruments		
Operations in process (b)	143,212	351,421
Cash surplus	13,069	12,457
	156,281	363,878
Non-financial instruments		
Provision for litigations and claims (f)	109,489	97,984
Provision for indirect loan losses, note 5(f)	7,698	8,052
Deferred income for interests and fees of indirect loans	1,228	969
Provision for sundry risks	3	3
Other	462	462
	118,880	107,470
Total	275,161	471,348

(b) Transactions in process are transactions carried out during the last days of the month, which are reclassified to their definitive accounts in the statement of financial position in the following month, these transactions do not affect the income statements of the Bank.

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As of December 31, 2019, the balance of asset operations in process mainly includes: (i) out of business hours operations for approximately S/107.75 million, this amount is due to the closing of operations carried out at the end of the year that were settled in the first days of January 2020, (ii) purchases transactions made with credit cards for approximately S/16.76 million, and (iii) withdrawal of cash with credit cards for approximately S/4.24 million; that were settled in the computer system of the Bank during the first days of January 2020.

On the other hand, the balance of liability operations in process mainly includes: (i) out of business hours operations by approximately S/121.61 million, such amount is due to the closing of operations carried out at the end of the year that were settled in the first week of January 2020, (ii) outstanding credit accounts for S/7.98 million that have transitory nature and were transferred in the first days of January 2020 and (iii) checks received from other banks pending of exchange for approximately S/0.6 million, which were transferred through the BCRP computer system in the first days of January 2020.

As of December 31, 2018, the balance of asset operation in process mainly includes: (i) out of business hours operations for approximately S/22.59 million, this amount is due to the closing of operations carried out at the end of the year that were settled in the first days of January 2019, (ii) purchases transactions made with credit cards for approximately S/15.35 million and (iii) withdrawal of cash with credit cards for approximately S/4.01 million that were settled in the computer system of the Bank during the first days of January 2019.

On the other hand, the balance of liability operation in process mainly includes: (i) out of business hours operations for approximately S/32.32 million, this amount is due to the closing of operations carried out at the end of the year that were settled in the first week of January 2019, (ii) checks received from other banks pending of exchange for approximately S/301.07 million, which were transferred through the BCRP computer system in the first days of January, and (iii) Pending accounts worth S/2.55 million from operations of a transitory nature, which were transferred in the first days of January 2018.

(c) The balance of head office and branches correspond to pending transactions between the Bank's offices located around the country; the main type of operation is the money remittance transferred from the head office to the agencies and offices around the country through the securities transport services.

(d) During the year 2019, additions were made in the item of intangibles mainly related to development and acquisition of software licenses used for the Bank's own operations for S/23.18 million and software for S/5.09 million.

During the years 2019 and 2018, the Bank recorded an amortization of S/26.16 million and S/27.48 million, respectively, presented in the caption "Depreciation and amortization" of the income statements.

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(e) As of December 31, 2019, corresponds to advance payments of the income tax and other income tax credits for S/266.61 million, which are presented net of the income tax of the year for S/244.93 million.

As of December 31, 2018, corresponds to advance payments of the income tax and other income tax credits for S/290.20 million, which are presented net of the income tax of the year for S/233.16 million.

(f) It corresponds to the provisions for labor and pension claims, as well as by civil and arbitral proceedings filed against the Bank that have been registered on the basis of the estimates made by the management and its internal legal advisers. In the opinion of the Management and its internal legal advisers, there will be no significant additional liabilities to those already registered by the bank.

As of December 31, 2019, the increase in the provision for litigation and claims corresponds mainly to provisions for pension litigation with the Asociación Nacional de Pensionistas del Banco de la Nación (ANPEBAN) for S/16.00 million and productivity bonuses to the Labor Union for S/5.00 million.

9. Deposits and obligations to the public

(a) As of December 31, 2019 and 2018 the balance of obligations by product is as follows:

	2019 S/(000)	2018 S/(000)
Current accounts (b)	13,980,445	11,944,260
Saving deposits	9,885,718	9,198,984
Restricted obligations with the public (c)	3,070,733	2,710,470
Social benefits of workers and pensioners (d)	1,616,813	1,672,258
Time deposits (g)	179,679	618,044
Severance indemnity deposits	90,219	81,753
Other obligations with the public (e)	182,922	172,322
	29,006,529	26,398,091
Accrued interest payable (f)	94,918	75,728
Total	29,101,447	26,473,819

The policy of the Bank is to remunerate the current accounts, savings deposits, time deposits, bank certificates and judicial and administrative deposits according to a growing scale of interest rates, depending on the term and average balance maintained in such accounts. Additionally, as part of this policy, it was established that balances under a certain amount determined by each type of account do not generate any interest.

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Interest rates applied to deposits and obligations are determined by the Bank based on interest rates prevailing on the Peruvian market.

(b) Deposits in current account are made up mainly as follows:

	2019 S/(000)	2018 S/(000)
Private Sector	5,137,416	4,542,141
MEF	2,400,188	1,751,554
Central government	2,752,552	1,419,054
Public institutions	1,359,377	1,833,510
Local government	1,258,899	1,084,626
Public companies	410,675	552,860
Regional government	481,337	498,564
Essalud	91,198	148,303
International organizations and other	88,803	113,648
Total	13,980,445	11,944,260

(c) This balance corresponds to judicial and administrative deposits, guarantee deposits, judicial withholdings for approximately S/2,438.97 million, S/552.35 million y S/79.41 million, respectively (approximately S/2,288.81 million, S/338.93 million y S/82.73 million, respectively, as of December 31, 2018).

(d) The provision for social benefits represents the obligations assumed for severance rights for active employees, as well as the retirement provision of the Bank's former workers and active workers. As of December 31, 2019 and 2018, it comprises:

	2019 S/(000)	2018 S/(000)
Retirement pensions - Decree Law No.20530	1,612,963	1,668,429
Labor Regime - Law No.4916	3,790	3,755
Labor Regime - Decree Law No.11377	60	74
	1,616,813	1,672,258

Retirement pensions provision mainly correspond to the present value of future payments of retirement pensions of the Bank's workers and former workers, subject to Decree Law No.20530. These are life annuities received by pensioners for unemployment, disability, widowhood and orphanage. Pension operations have traditionally been considered within actuarial life operations. However, they have a distinct objective and designation, due to the economic importance and the actuarial specialization they require. Considering the particularities of the pension-plan operations, they are defined as operations in which the probable risk coverage period is the whole life of the plan participant.

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On March 28, 2003 was published the Supreme Decree No.043-2003-EF, in which provisions are established for the registration of government pension-plan obligations of the Pension Regime of the Decree Law No.20530 and amendments, for which funding does not come from resources of the Public Treasury. This Decree modifies the Supreme Decree No.106-2002-EF, incorporating in the actuarial calculation of pensions the standards contained in the Supreme Decree No.026-2003-EF dated February 27, 2003 and, where applicable, those of the Accounting Resolution No.159-2003-EF/93.01 dated March 6, 2003 and other provisions issued by the General Public Accounting Directorate, for the purpose of registration and control of the pension-plan obligations. In this sense, on January 30, 2017, is issued the statement N° 002-2017-EF/51.01 of the Dirección General de Contabilidad Pública (General Directorate of Public Accounting) of MEF, which establishes the accounting treatment of its pension obligations.

The movement in the present value of the retirement provision for pensioners and workers under Decree Law No. 20530 is as follows:

	2019 S/(000)	2018 S/(000)
Balance at the beginning of the year	1,668,429	1,719,254
Additions debited to personnel expenses, note 20(b)	114,559	120,104
Provisions, rates and charitable fund	2,474	2,480
Payments to pensioners	(172,499)	(173,409)
Balance at the end of the year	1,612,963	1,668,429

The obligation for retirement pensions decreased as compared to 2018, mainly due to the reduction in the number of pensioners from 5,233 as of December 31, 2018 to 5,085 pensioners as of December 31, 2019.

The main actuarial assumptions at the date of the statements of financial position are as follows:

	2019 S/(000)	2018 S/(000)
Discount rate	4.67%	4.67%
Average life expectancy	17.21 years	17.47 years
Active service period	0 years	0 years
Pensioners with statutory bonuses	607	642
Pensioners with reward	4,342	4,431
Pensioners with no bonus	136	135
Assets with statutory bonuses	13	25

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As of December 31, 2019 and 2018, the discount rated used is 4.67 percent, according to the technical guide and the basis for it is in a supporting study of the report No.031/2019-OPG.EE/ONP (Report N°050-2018-OPG.EE/ONP as of December 31, 2018). The rate is determined based on the yield of the US Treasury bond American, adjusted for inflation and exchange rate; according to this, the interest rate is equivalent to the rate of long-term yield curve relevant for Peru.

Mortality tables used in actuarial calculations are those defined as "Mortality tables - SP 2005 (Peruvian)" for own right and right to healthy living condition and mortality tables denominated MI-85- H and MI-85-M in the case of a disabled person, either man or woman, respectively, approved by the MEF through Ministerial Resolution No.757-2006-EF/15 and incorporated in its annex by Ministerial Resolution No.146-2007-EF/15 dated March 23, 2007.

In the article 3 ° "Maximum amount of pensions" of the law that establishes the new rules of the pension scheme of Legislative Decree N°20530 - Law N°28449 issued on December 30, 2014, it mentions that the maximum amount monthly retirement pensions regulated by the Law N°20530 is two (2) Tax Units – ("UIT", by its Spanish acronyms). In this regard, as of December 31, 2019, the calculation of pension reserves for pensioners has been made with a maximum amount of pension equivalent to S/8,400 (S/8,300, as of December 31, 2018).

(e) The other obligations with the public are made up of cashier checks, transfers payable, certified checks and bank certificates for S/90.0 million, S/88.0 million, S/0.3 million y S/4.7 million, respectively (S/82.3 million, S/84.5 million, S/1.2 million y S/4.8 million, respectively, as of December 31, 2018).

(f) Accrued interest payable corresponds to administrative and judicial deposits for approximately S/91.6 million y S/3.3 million, respectively (approximately S/72.6 million y S/3.1 million, respectively, as of December 31, 2018).

(g) The balance of the time deposits classified by maturity is as follows:

	2019 S/(000)	2018 S/(000)
Up to 3 months	72,279	511,094
From 3 months to 1 year	107,400	106,950
	179,679	618,044
Accrued interests for time deposits	26	409
Total	179,705	618,453

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10. Deposits of financial entities and international financial entities

As of December 31, 2019, it includes sight deposits for S/220.48 million and saving deposits for S/2.22 million (S/217.63 million y S/0.2 million, respectively, as of December 31, 2018).

The sight deposits grouped by type of financial entity are made up as follows:

	2019 S/(000)	2018 S/(000)
Fondo Mivivienda	60,452	61,024
Banks	106,075	35,613
COFIDE	15,560	81,568
Municipal credit and saving institutions	23,228	19,581
Financial entities	10,690	14,240
Rural credit and saving institutions	4,701	4,121
Edpymes	1,989	1,707
Total	222,695	217,854

The saving deposits are made of deposits constituted by municipal savings and loans banks.

11. Bonds, securities and obligations outstanding

(a) In the year 2016, the Bank realized its first issuance of the First Subordinated Bonds Program for an amount of S/250 million, which had a date of placement on November 29, 2016. The composition of this item is as follow:

	2019 S/(000)	2018 S/(000)
Subordinates bond (b)	249,963	249,977
Interests payable	1,670	1,670
	251,633	251,647

(b) These bonds are only supporting by the Banks equity (issuer), have a term of 15 years and matures in November 30, 2031. The bonds accrued an annual and fixed interest rate of 8 percent, the period of payment of such interest is 6 months, being the first payment date (first coupon) on May 30, 2017. The principal payment of the bond will be amortized in a single payment, at the maturity date of the respective series. Subordinated bonds do not have specific guarantees and qualify as second tier equity ("Tier 2") in the determination of the regulatory capital according to the rules established by the SBS. During the years 2019 and 2018, the accrued interest of the subordinated bonds amounted to S/20.5 million, see note 17. The payment of the principal and corresponding interests will be made through CAVALI.

12. Accounts payable

(a) As of December 31, 2019 and 2018, this item is made up as follows:

	2019 S/(000)	2018 S/(000)
Suppliers	83,120	80,526
Collected and withheld taxes (b)	76,164	113,174
Workers' profit sharing payable – legal	43,698	41,598
Other accounts payable (c)	41,272	43,079
Group performance bonus	37,000	40,000
Vacations payable	20,517	20,691
Other accounts payable to staff	16,679	9,405
Other contributions	1,955	5,666
Others	139	142
	320,544	354,281

(b) As of December 31, 2019, corresponds to the taxes collected nationally by the Bank at the request of the Tax Administration – SUNAT, which amounted to S/72.11 million (S/98.07 million as of December 31, 2018) and withheld taxes by the Bank as withholding agent which amounted to S/4.05 million (S/15.10 million as of December 31, 2018), which were transferred to the SUNAT in January 2020.

(c) Other accounts payable mainly includes obligations payable derived from transactions made through other banks' ATMs and establishments, pending of confirmation for S/16.76 million and S/4.24 million, respectively (S/15.35 million and S/4.01 million as of December 31, 2018, respectively), protection insurance for Multired loans for S/4.56 million (S/4.71 million as of December 31, 2018), various accounts payable for S/4.43 million (S/4.06 million as of December 31, 2018), pending devolutions for S/3.39 million (S/3.20 million as of December 31, 2018), accounts payable to AFP for S/2.15 million (S/6.38 million as of December 31, 2018), transference FEBAN wellness program for S/1.05 million (S/1.16 million as of December 31, 2018), and among other minors for S/4.69 million (S/4.22 million in 2018).

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13. Deferred income tax asset, net

(a) As of December 31, 2019 and 2018, this item is made up as follows:

	Balances as of January 01, 2018 S/(000)	(Debit) credit to equity S/(000)	(Debit) credit to income S/(000)	Balances as of December 31,2018 S/(000)	(Debit) credit to equity S/(000)	(Debit) credit to income S/(000)	Balances as of December 31, 2019 S/(000)
Deferred assets							
General provision for direct loans	50,839	-	3,050	53,889	-	(5,925)	47,964
Provision for litigations and claims	40,017	-	(11,112)	28,905	-	3,394	32,299
Provision for group performance bonus	-	-	-	-	-	11,482	11,482
Provision for vacations	5,751	-	353	6,104	-	(52)	6,052
General provision for contingent loans	2,227	-	121	2,348	-	(173)	2,175
Specific provision for contingent loans	135	-	(107)	28	-	68	96
Provision for fixed asset's devaluation	2,816	-	(29)	2,787	-	2,160	4,947
Property depreciation	10,726	-	6,707	17,433	-	(13,997)	3,436
Investments at fair value through profit or loss	-	-	-	-	-	7,188	7,188
Intangible amortization	15,300	-	2,748	18,048	-	1,204	19,252
Unrealized results from available-for-sale investments	2,715	14,293	-	17,008	(17,008)	-	-
Other	540	-	2,963	3,503	-	(1,556)	1,947
Total deferred asset	131,066	14,293	4,694	150,053	(17,008)	3,793	136,838
Deferred liabilities							
Property depreciation	-	-	(2,074)	(2,074)	-	(1,742)	(3,816)
Unrealized results from available-for-sale investments	-	-	-	-	(6,562)	-	(6,562)
Total deferred liabilities	-	-	(2,074)	(2,074)	(6,562)	(1,742)	(10,378)
Total deferred asset, net	131,066	14,293	2,620	147,979	(23,570)	2,051	126,460

(b) The composition of the balances presented in the statements of comprehensive income for the years ended December 31, 2019 and 2018 are as follows:

	2019 S/(000)	2018 S/(000)
Current income tax - Expense	244,926	233,159
Deferred income tax – Income	(2,051)	(2,620)
Adjustment of current income tax from the previous year	(9,974)	(4,521)
	232,901	226,018

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(c) The table below presents the reconciliation of the effective Income Tax rate with the statutory Income Tax rate for the years 2019 and 2018:

	2019		2018	
	S/(000)	%	S/(000)	%
Income before income tax	1,322,441	100.0	1,042,402	100.0
Theoretical expense	390,120	29.5	307,509	29.5
Effect of non-deductible expenses-				
Common expenses linked to untaxed and exempt income	70,716	5.3	32,242	3.1
Foreign source income	7,222	0.5	-	-
Provisions without proof of payment	7,053	0.5	6,375	0.6
Financial expenses	5,146	0.4	1,460	0.1
Property depreciation	3,353	0.3	3,353	0.3
Other non-deductible expenses	28,710	2.2	14,203	1.4
Effect of non-taxable income-				
Unaffected interests	(169,358)	(12.8)	(120,453)	(11.6)
Sale of non-taxable securities	(97,894)	(7.4)	(14,150)	(1.4)
Taxes devolution	(2,193)	(0.2)	-	-
Adjustment of current income tax from the previous year	(9,974)	0.8	(4,521)	0.4
Income tax, current and deferred	232,901	17.6	226,018	21.7

14. Shareholders' Equity

(a) Capital stock –

As of December 31, 2019 and 2018, the Bank's authorized capital amounts to S/1,200,000 million; wholly subscribed and paid by the Peruvian Government, as established in article 5 of the Bank's by-laws. The capital stock of the Bank has been paid by the Peruvian State through the capitalization of profits (50.0 percent of net income to cover the Bank's capital and transferred to the Public Treasury), ending the payment in 2007; after which all net income is transferred to the Public Treasury. By the capital stock of the Bank no shares or securities of any kind are issued.

(b) Legal reserve –

Pursuant to legislation in force, the Bank is required to reach an amount no less than 35 percent of its paid-in-capital. This reserve is made through the annual transfer of at least 10% from its net earnings.

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(c) Unrealized results -

The unrealized results include the unrealized gains (losses) from the valuation of available-for-sale investments. Changes in the unrealized results as of December 31, 2019 and 2018 presented net of their tax effect are as follows:

	S/(000)
Balance as of January 1, 2018	78,995
Transfer of realized gain from available-for-sale investments, note 19	(48,887)
Net unrealized loss from available-for-sale investments	(175,412)
Deferred income tax, note 13(a)	14,293
Balance as of December 31, 2018	(131,011)
Transfer of realized gain from available-for-sale investments, note 19(b)	(342,722)
Net unrealized gain from available-for-sale investments	578,319
Deferred income tax, note 13(a)	(23,570)
Balance as of December 31, 2019	81,016

(d) Retained earnings -

In the Board of Directors Meeting N°2250 held on May 23, 2019, were approved the distribution to the Public Treasury of net income of the year 2018 for approximately S/828.18 million, detailed as follows: S/248.54 million for the annual amortization of bond issued by the MEF, note 4(l)(i), S/10.64 million to be applied to the account receivable from the MEF due to the sale of the Palacio Building, see note 7(c) and S/569.0 million was deposited in the current account of the Public Treasury.

In the Board of Directors Meeting N°2201 held on May 9, 2018, were approved the distribution to the Public Treasury of net income of the year 2017 for approximately S/753.71 million, detailed as follows: S/226.11 million for the annual amortization of bond issued by the MEF, note 4(l)(i), and the remaining balance by S/527.60 million was deposited in the current account of the Public Treasury.

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During 2019, the Bank has recorded under "Retained earnings" various adjustments for regularization of transactions for previous years, for a net credit amount of approximately S/27.72 million (net credit amount for approximately S/4.25 million in 2018). In this regard the Bank, considering the materiality of regularization adjustments made and in coordination with the SBS, recorded such adjustments directly in "Retained earnings" as a movement of the year.

(e) Equity for legal purposes –

According to Legislative Decree No.1028, regulatory capital must be equal to or more than 10.0 percent of total risk weighted assets and contingent operations, represented by the sum of: the regulatory capital requirement for market risk multiplied by 10.0, the regulatory capital requirement for operational risk multiplied by 10.0 and assets and contingent credits weighted by credit risk.

As of December 31, 2019 and 2018, pursuant to legislative Decree No.1028 and amendments, the Bank maintains the following amounts related to assets and contingent credits weighted by total risk and regulatory capital (basic and supplementary), in thousands of Soles:

	2019	2018
Total risk weighted assets and credits	1,492,580	1,184,113
Total regulatory capital	1,899,357	1,928,778
Basic regulatory capital	1,557,498	1,592,506
Supplementary regulatory capital	341,859	336,272
Global regulatory capital ratio	12.73%	16.29%

As of December 31, 2019 and 2018, the Bank has complied with the SBS Resolutions No.2115-2009, No.6328-2009 and No.14354-2009, Regulations for Regulatory Capital Requirements for Operational Risk, Market Risk and Credit Risk Regulations, respectively, and their amendments. These resolutions establish, mainly, the methodologies to be applied by financial entities in order to calculate the weighted assets and credits for each type of risk.

In July 2011, the SBS issued Resolution No.8425-2011, which states that an entity must determine an additional regulatory capital. In this sense, Peruvian financial institutions must develop a process to assess the adequacy of their regulatory capital in relation with their risk profile, which must follow the methodology described in such Resolution. The additional regulatory capital shall be equivalent to the amount of regulatory capital requirements calculated for each of the following components: economic cycle, concentration risk, market concentration risk and interest rates risk in the banking book and other risk.

As of December 31, 2019, the additional required estimated regulatory capital amounts to approximately S/187.70 million (S/204.50 million as of December 31, 2018).

In Management's opinion, the Bank has complied with the requirements established by the resolution.

15. Tax situation

(a) The Bank is subject to the Peruvian tax legislation. As of December 31, 2019 and 2018 the statutory income tax rate was 29.5 percent, on the taxable income.

Also, through Legislative Decree No.1261, issued on December 10, 2016, the rate applicable to dividends and any other form of distribution of Peruvian source income was modified and established at 5 percent. That rate is applicable starting on January 1, 2017.

(b) Since 2011, with the amendment introduced by Act No.29645 on the Income Tax Act, interest and other income generated by foreign loans granted to the Peruvian National Public Sector must also be included as an item exempted from the Income Tax.

Likewise, there are considered income from Peruvian sources those obtained from the indirect disposal of shares or ownership interests of the capital stock of legal entities domiciled in Peru. For such purposes, an indirect disposal shall be considered to occur upon the sale of shares or ownership interests of the capital stock of a legal entity not domiciled in the country that, in turn, is the owner – whether directly or through one or more other legal entities – of shares or ownership interests of the capital stock of one or more legal entities domiciled in the country, provided certain conditions established by law are met and according to the specifications established by Legislative Decree No. 1424. This situation also occurs in those cases where the issuer is jointly and severally liable.

(c) Through Legislative Decree N ° 30341, that promotes the liquidity and integration of the Securities Market, until December 31, 2019 were exempted the income from the sale of the following securities: i) Debt securities, (ii) Participation certificates in mutual funds of securities investment, iii) Participation certificates in Real Estate Investment Funds (FIRBI) and Participation certificates in Real Estate Securitization Trust (FIBRA); and, iv) Negotiable invoices.

Likewise, it should be noted that, the tax incentives of the Income Tax and the Alcabala Tax (Emergency Decree No. 009-2019) were extended to the Real Estate Investment Funds (FIRBI) until December 31, 2022.

In order to apply the exemption in the case of income arising from the disposal of shares, investment shares, ADR and GDR, and bonds convertible into shares, the following must be complied with:

- The disposal must be made through a centralized negotiation mechanism located in the country and supervised by the SMV (BVL).

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- For a period of 12 months, ownership of 10 percent or more of the total shares issued by the company shall not be transferred. In the case of ADRs and GDRs, this requirement is determined considering the underlying shares. Personal transfers and those of related parties are considered.

- Have a stock market listing.

For the other securities included, it is required that the sale is settled through centralized negotiation mechanism supervised by the BVL and that it be seen with a stock market listing. In the case of negotiable invoices, only the disposal is required to be carried out through centralized negotiation mechanism supervised by the BVL.

It is established as a cause of loss of the exemption that the issuer delists the values of the Securities Registry of the Stock Exchange, totally or partially, in whole or in part, in one act or progressively, within the 12 months following the sale. The Regulations will establish exceptions.

Finally, the exemption from Income Tax (Emergency Decree No. 005-2019) provided for capital gains obtained from the disposal of certain transferable securities through centralized negotiation mechanisms was extended until December 31, 2022 (BVL).

(d) With regard to the IGV (Value Added Tax – "IGV" by its acronym in Spanish), that tax is not applied on the interest accrued on securities issued by public or private offering by legal entities incorporated or established in Peru; as well as the interest accrued on securities not placed by public offering, when such securities have been acquired through any of the centralized trading mechanisms referred to in the Stock Exchange Regulation.

(e) For the purpose of determining the Income Tax, the transfer prices agreed for transactions between related entities, or for transactions conducted with or through entities domiciled in non-cooperating or low or zero tax countries or territories, or with entities or permanent establishments whose income, revenues or gains from said contracts are subject to a preferential tax regime, must be supported by documented information on the valuation methods applied and criteria used in the determination of such prices. In the opinion of Management and its internal legal advisors, the application of these tax standards will not have any material consequences on the Bank's financial statements as of December 31, 2019 and 2018.

The Superintendence Resolution No.054-2019/SUNAT extended the deadlines for the submission of the informative sworn statement for the years 2017 and 2018 until the last business day of the following month in which SUNAT publishes in its website that Peru has approved the evaluation of the confidential and information security standard required by the OECD for the exchange of information.

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Through Legislative Decree No.1381, published on August 24, 2018 the Income Tax Act incorporates the concept of "non-cooperating" countries or territories, as well as preferential tax regimes to which are imposed the defensive measures already existing for countries and territories with low or null taxation.

(f) In July 2018, through Act No. 30823 Congress delegated into the Executive Branch the power to legislate on various issues, including tax and financial matters. In this sense, the main tax regulations issued are the following:

(i) Beginning on January 1, 2019, the treatment applicable to royalties and remuneration for services rendered by non-domiciled persons was modified, eliminating the obligation to pay the amount equivalent to the withholding due to the accounting record of the cost or expense. Now the income tax is withheld because of the payment or accreditation of the compensation. For such cost or expense to be deductible for the local company, the remuneration must have been paid or credited up to the filing date of the annual income tax return (Legislative Decree No.1369).

(ii) The rules that regulate the obligation of legal persons and/or legal entities to inform the identification of their final beneficiaries (Legislative Decree No.1372) were established. These rules are applicable to legal entities domiciled in the country, in accordance with the provisions of Article 7 of the Income Tax Act, and legal entities established in the country. The obligation covers non-domiciled legal entities and legal entities established abroad, provided that: a) they have a branch, agency or other permanent establishment in the country; b) the natural or juridical person who manages the autonomous patrimony or the investment funds from abroad, or the natural or juridical person who has the status of protector or administrator, is domiciled in the country; c) any of the parts of a consortium is domiciled in the country. This obligation will be complied through the presentation to the Tax Authority of an informative Sworn Statement, which must contain the information of the final beneficiary and be submitted, in accordance with the regulations and within the deadlines established by Superintendence Resolution issued by the Tax Authority ("SUNAT", by its Spanish acronym).

(iii) The Tax Code was amended regarding the application of the general anti- circumvention rule (Rule XVI of the Preliminary Title of the Tax Code); as well as to provide the Tax Administration with the legal tools for its effective implementation (Legislative Decree No.1422).

As part of this amended, a new assumption of joint and several liability is envisaged, when the tax debtor is subject to the application of the measures provided by Rule XVI in the event that tax evasion cases are detected; in such case, the joint and several liability shall be attributed to the legal representatives provided that they have collaborated with the design or approval or execution of acts or situations or economic relations foreseen as elusive in Rule XVI. In the case of companies that have a Board of Directors, it is up to this corporate body to define the tax strategy of the entity, having to decide on the approval or not of acts, situations or economic relations to be carried out within the framework of tax planning, this power being non-delegable. The acts, situations and economic relations carried out within the framework of fiscal planning and implemented on the date of entry into force of Legislative Decree No.1422 (September 14, 2018) and which continue to have effect, must be evaluated by the Board of Directors of the legal entity for the purpose of ratification or modification until March 29, 2019, without prejudice to the fact that the management or other administrators of the company have approved the aforementioned acts, situations and economic relations.

It has been established that the application of Rule XVI, regarding the re-characterization of tax evasion cases, will take place in the final audit procedures in which acts, events or situations produced since July 19, 2012 are reviewed.

Likewise, the substantive and formal parameters for the application of the general anti-circumvention rule contained in Rule XVI of the Preliminary Title of the Tax Code (Supreme Decree No.145-2019-EF) were approved. With the publication of this regulation, the suspension of the second to fifth paragraphs of Regulation XVI was lifted, which regulate its application in cases of circumvention.

(iv) Regulations have been established for the accrual of income and expenses for tax purposes as of January 1, 2019 (Legislative Decree No.1425). Until 2018, there was no normative definition of this concept, so in many cases accounting rules were used for its interpretation. In general terms, with the new criterion, for the purpose of determining the Income Tax, it shall be considered whether the substantial events for the generation of the income or expense agreed upon by the parties have occurred, provided they are not subject to a suspensive condition, in which case the recognition will be given when it is and the established collection or payment opportunity is not taken into account.

(g) The main tax regulations issued during 2019 are the following:

- The obligation of legal entities to report the identification of their final beneficiaries is regulated (Supreme Decree No.003-2019-EF). Likewise, it was established that the legal entities domiciled in the country that have the status of Principal Taxpayer as of November 30, 2019 should submit the declaration of the final beneficiary in the month of December, considering the deadlines established for compliance with the tax obligations of the November period (RS No.185-2019/SUNAT).

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- The substantive and formal parameters for the application of the general anti-circumvention rule contained in Rule XVI of the Preliminary Title of the Tax Code (Supreme Decree No. 145-2019-EF) were approved. With the publication of this regulation, the suspension of the second to fifth paragraphs of Regulation XVI was lifted, which regulate its application in cases of circumvention.

- The exemption from Income Tax (Emergency Decree No.005-2019) provided for capital gains obtained from the disposal of certain transferable securities through centralized negotiation mechanisms was extended until December 31, 2022 (BVL). Likewise, the requirements for access to such exemption (stock market presence) were modified.

(h) The Tax Authority has the power to review and, if applicable, correct the Income Tax calculated by the Bank in the four years following to the year of the tax return.

The annual tax income for the years 2015 to 2019 are pending to review by the Tax Administration.

Due to the possible interpretations that the Tax Authority may give to the legislation in effect, up to date it is not possible to determine whether or not any review to be conducted would result in liabilities for the Bank; any increased tax or surcharge that could arise from possible tax reviews would be applied to the results of the period in which such tax increase or surcharge may be determined. However, in the opinion of Management and its internal legal advisors, any eventual additional tax settlement would not be significant for the Bank's financial statements.

16. Risks and Commitments

(a) As of December 31, 2019 and 2018, this item is made up as follows:

	2019 S/(000)	2018 S/(000)
Contingent operations (indirect loans) (b) -		
Bank letters of guarantee	74,276	94,207
Letters of credit	118,211	144,333
	192,487	238,540
Responsibilities under credit line agreements (c)	2,594,466	2,481,853
Total contingent operations	2,786,953	2,720,393

(b) In the normal course of its operations, the Bank performs contingent operations (indirect loans). These transactions expose the Bank to additional credit risk beyond the amounts recognized in the statements of financial position. The Bank's exposure to credit losses from letters of credit and guarantees (indirect loans) is represented by the contractual amounts specified in the related contracts.

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The Bank applies the same credit policies for granting direct loans when performing contingent operations, including obtaining guarantees when it deems it necessary. Guarantees vary and include deposits in financial institutions, securities or other assets.

Because most of the contingent operations are expected to expire without any performance being required, the total committed amounts do not necessarily represent future cash requirements.

(c) Responsibilities under credit line agreements do not correspond to commitments to grant credits and include lines of credit of consumer credit and corporate business, which are cancellable upon notification to the client.

17. Interest income and expenses

These items are made up as follows:

	2019 S/(000)	2018 S/(000)
Interest income		
Interest from loan portfolio	1,037,498	1,072,336
Interest from available-for-sale investments, note 4(j)	331,567	329,036
Interest from cash and due from banks	157,768	72,681
Interest from held-to-maturity investments, note 4(l)	107,177	119,894
	1,634,010	1,593,947
Interest expense		
Interest and commissions on deposits and obligations	(45,118)	(42,828)
Interest and commissions on securities, bonds and obligations outstanding, note 11(b)	(20,047)	(20,048)
Interest and commissions on financial entities and international financial entities	-	(13)
	(65,165)	(62,889)
Gross financial margin	1,568,845	1,531,058

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18. Income and expenses from financial services

(a) These items are made up as follows:

	2019 S/(000)	2018 S/(000)
Fee income from financial services		
Income from cash management (b)	356,511	384,460
Income from services of tax collection (c)	74,620	72,182
Income from insurance sales commission	57,878	55,072
Income from transfer services (d)	47,704	52,587
VISA commission income	36,641	35,087
Income from savings accounts – Commission credit Notes	20,226	20,497
Income from ATMs – Multired	16,276	17,249
Income from savings accounts – Commission on withdrawal of credit notes	15,034	15,528
Income from commission on new Multired card	11,440	11,174
Income from collection	8,435	8,942
Income from services commission - FISE	7,263	7,665
Income from commission on SUNAT repossessions	6,220	6,186
Income from – checks received of other banks - Clearing	4,224	4,324
Income from certificates commission	2,708	3,100
Income from contingent operations	3,844	2,863
Services by shared premises	2,361	2,623
Income from penalties payments to suppliers	1,542	1,797
Others (e)	53,749	74,099
Total	726,676	775,435
Expenses relating to financial services		
Transportation, custody and administration of cash and securities	(119,027)	(106,616)
Credit and debit cards	(79,543)	(70,226)
Cell banking	(15,784)	(15,523)
Other financial services	(8,785)	(6,500)
Total	(223,139)	(198,865)

(b) During 2019, income from cash management mainly comprises commissions for revenue services of the fund collected by the Bank on behalf of the General Treasury Directorate for S/315.00 million, and correspondent banking services for S/39.50 million (S/346.90 million and S/35.40 million, as of December 31, 2018).

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(c) During 2019, income from services of tax collection correspond to the collection of taxes administered by SUNAT for S/36.83 million and the collection of charges corresponds an other entities (Policía Nacional del Perú, Poder Judicial, ONP, among others) for S/37.79 million (S/34.41 million and S/37.78 million, respectively, as of December 31, 2018).

(d) For the year 2019, income from transfer services mainly corresponds to tele-money order system for S/22.64 million, tele-money order correspondent service for S/13.15 million and services of transfer of funds for S/11.92 million (25.14 million, S/15.48 million and S/11.97 million, respectively, as of December 31, 2018).

(e) During 2019, the other financial services revenues are mainly to local banking ATMs for S/10.17 million, fees for transfers for S/9.17 million, current account fees for S/ 5.03 million, commissions for fiduciary services for S/4.20 million, multi-express service fees for S/3.01 million and services to social programs for S/2.02 million (S/11.12 thousand, S/8.43 million, S/4.92 million, S/3.91 million, S/4.81 million and S/12.10 million, respectively, as of December 31, 2018); among others.

19. Gain on financial transactions

These items are made up as follows:

	2019 S/(000)	2018 S/(000)
Gain on exchange difference and exchange operations, net	48,870	46,927
Net gain on available-for-sale investments, note 14(c)	342,722	48,887
Unrealized loss on investments at fair through profit or loss, note 4(b)	(24,483)	-
Others	793	1,686
Total	367,902	97,500

20. Administrative expenses

(a) This item is made up as follow:

	2019 S/(000)	2018 S/(000)
Personnel and Board of Directors expenses (b)	(603,056)	(642,945)
Services received from third parties (c)	(295,194)	(303,139)
Taxes and contributions	(78,282)	(81,208)
Total	(976,532)	(1,027,292)

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(b) The table below shows the personnel and Board of Directors expenses:

	2019 S/(000)	2018 S/(000)
Remuneration	(221,538)	(213,206)
Retirement	(114,559)	(120,104)
Allowances	(48,358)	(45,493)
Legal gratifications	(44,978)	(44,262)
Legal employees' profit sharing	(43,698)	(41,598)
Group performance bonus	(37,000)	(37,000)
Arbitral award (*)	-	(34,082)
Severance indemnities	(23,836)	(22,775)
Social security	(22,847)	(21,891)
Extraordinary bonuses	(1,329)	(18,572)
Overtime	(16,464)	(16,856)
Travel allowance	(7,075)	(6,954)
Incentive	(9,975)	(6,598)
Work uniforms	(5,000)	(4,486)
Other expenses	(6,399)	(9,068)
Total	(603,056)	(642,945)
Average number of employees	4,712	4,733

(*) During 2018, the Bank made a payment of approximately S/34 million as part of the required compensation in the arbitration process with the Labor Union, according to collective bargaining corresponding to the claims.

(c) The table below presents the expenses for services received from third parties:

	2019 S/(000)	2018 S/(000)
Repair, maintenance and cleaning services	(93,199)	(99,065)
Communications and other utilities	(67,859)	(69,316)
Professional fees	(45,582)	(48,104)
Security and insurance	(35,330)	(33,386)
Leases of property and other assets	(18,824)	(17,319)
Professional services	(10,821)	(10,252)
Printing services	(4,263)	(4,790)
Transport, mobility and courier services	(2,256)	(2,731)
Other services	(17,060)	(18,176)
Total	(295,194)	(303,139)

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21. Valuation of assets and provisions

(a) This item is made up as follows:

	2019 S/(000)	2018 S/(000)
Provisions for litigation and claims, net (b)	(53,811)	(42,745)
Gain (loss) from COFIDE funds (c)	20,379	(8,560)
Provision for uncollectable receivables	(445)	(2,478)
Impairment of fixed assets, note 7(g)	6,380	-
Provision for indirect loans	234	231
Others	(38)	84
	(27,301)	(53,468)

(b) For the year ended as of December 31, 2019, provisions for litigations and claims includes provisions for labor and civil trials for an amount of S/52.70 million and S/1.11 million, respectively, net of a reversal of S/12.06 million (mainly S/35.49 million and S/7.26 million, respectively, net of a reversal of S/5.89 million, as of December 31, 2018).

(c) During 2019, it corresponds to the profit from the FORPRO fund for S/11.85 million, see note 6(b), and from the FOGEM fund for S/8.53 million, see note 6(b). During 2018, it corresponds to the loss from the FOGEM fund for S/8.56 million, see Notes 6(c).

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22. Other income, net

(a) This item is made up as follows:

	2019 S/(000)	2018 S/(000)
Other income:		
Sale of goods, note 7(c)	20,444	112,998
Income tax return plus interest	7,433	-
Income from leases	5,334	541
Severance claims	1,416	1,455
Other income	3,122	6,271
	37,749	121,265
Other expenses:		
Derecognition of goods, note 7(c)	(8,322)	-
Cost of sale of goods, note 7(c)	(1,761)	(33,048)
Losses and claims not covered by insurance	(1,534)	(886)
Donations	(669)	(644)
Administrative and fiscal penalties	(520)	(527)
Other expenses	(1,085)	(1,496)
	(13,891)	(36,601)
Other income, net	23,858	84,664

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23. Financial instruments classification

The following are the carrying amounts of the financial assets and liabilities in the statements of financial position, by categories as defined under IAS 39:

	As of December 31, 2019						As of December 31, 2018				
	Loans and receivables S/(000)	Available-for-sale investments S/(000)	Held-to-maturity investments S/(000)	Investments at fair value through profit or loss S/(000)	Liabilities at amortized cost S/(000)	Total S/(000)	Loans and receivables S/(000)	Available-for-sale investments S/(000)	Held-to-maturity investments S/(000)	Liabilities at amortized cost S/(000)	Total S/(000)
Financial Assets											
Cash and due from banks	15,324,063	-	-	-	-	15,324,063	8,610,277	-	-	-	8,610,277
Investments at fair value through profit or loss	-	-	-	66,063	-	66,063	-	-	-	-	-
Available-for-sale investments	-	8,022,267	-	-	-	8,022,267	-	9,160,815	-	-	9,160,815
Held-to-maturity investments	-	-	1,826,007	-	-	1,826,007	-	-	2,050,548	-	2,050,548
Loans, net	6,319,692	-	-	-	-	6,319,692	8,930,396	-	-	-	8,930,396
Accounts receivable, net	356,364	-	-	-	-	356,364	292,683	-	-	-	292,683
Other assets, net, note 8(a)	160,764	-	-	-	-	160,764	62,222	-	-	-	62,222
	22,160,883	8,022,267	1,826,007	66,063	-	32,075,220	17,895,578	9,160,815	2,050,548	-	29,106,941
Financial Liabilities											
Deposits and obligations to the public	-	-	-	-	29,101,447	29,101,447	-	-	-	26,473,819	26,473,819
Deposits of financial system companies and international financial entities	-	-	-	-	222,695	222,695	-	-	-	217,854	217,854
Securities, bonds and obligations outstanding	-	-	-	-	251,633	251,633	-	-	-	251,647	251,647
Accounts payable	-	-	-	-	320,544	320,544	-	-	-	354,281	354,281
Other liabilities, note 8(a)	-	-	-	-	156,281	156,281	-	-	-	363,878	363,878
	-	-	-	-	30,052,600	30,052,600	-	-	-	27,661,479	27,661,479

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24. Financial risk management

By the nature of its activities, the Bank is exposed to market risks which arise from positions in interest rates and exchange rates; as well as liquidity risks, operational and credit risks, all of which are exposed to general and specific market movements. These risks are managed through the process of identification, measurement and continuous monitoring, and they are subject to risk limits and other controls.

The Bank's overall risk management program focuses on credit risk and the Bank tries to minimize its potential adverse effects on the Bank's financial performance.

The Bank's management is aware of the conditions in the market and based on their knowledge and experience it controls the risks following the policies approved by the Board of Directors. The independent risk control process does not include business risks such as changes in the environment, technology and industry. These are monitored through the strategic planning process of the Bank.

(a) Risk management structure and organization -

The Bank maintains policies for risk management which include coverage and mitigation policies based on the risk management rules. Thus, the Bank has policies to manage credit, operational, market, liquidity and country risk. The Bank also has specialized committees which are informed regarding the Bank's management of each of the risks to which it is exposed.

The Bank's Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks, as further explained bellow:

(i) Board of Directors -

The Board of Directors is the most senior organic unit whose mission is the management and all control over the financial and administrative operations of the Bank.

The Board of Directors has established specialized committees which have delegated specific functions in order to strengthen risk management and internal control.

(ii) Risk Committee -

The Risk Committee is responsible for the strategy used for mitigating risks; and the approval of the objectives, guidelines, policies, procedures and methodologies for the identification and management of risks, among others. Also, it is responsible for supporting the actions that ensure the financial economic viability of the Bank to address the risks to which it is exposed.

The Risk Committee is dependent on the Board and consists of only three (3) members of the Board, one of whom must not perform management activities in the bank and must be chaired by those who meet at least once a month or at the request of one of them.

(iii) Audit Committee -

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The Audit Committee is the coordinating unit between the Board of Directors and the Internal Control Unit. This Committee is established with the objective of monitoring the proper functioning of the internal control system.

The Audit Committee depends of the Board of Directors and its main purpose is to monitor that the accounting process and financial report are appropriate, and shall report to the Board of Directors about the implementation of recommendations issued by the SBS and Comptroller General of the Republic, and other recommendations of Bank's audit, verifying the implementation of actions. The Committee meets periodically at least once a month.

The Audit Committee is composed by three members of the Board of Directors who do not perform management activities in the bank, one of whom presides, appointing another member as Vice-president.

(iv) Assets and Liabilities Committee–
The Assets and Liabilities Committee is established in order to define and manage the structure of Assets and Liabilities of the Bank's statements of financial position and monitoring liquidity risk, by analyzing indicators that reflect the result of business strategies and investment, with the objective of maximizing the profitability considering the level of risk and ensuring that the company has sufficient resources to deal with a set of unexpected events affecting the its liquidity, such as the loss or reduction of funding sources.

This committee is composed by the Executive Chairman, General Manager, Central Manager of Administration, Central Manager of Business and Technology, Finance and Accounting Manager, Manager of Development Banking and Financial Inclusion, Risk Manager, Assistant Manager of Economic and Financial Studies, Assistant Manager of Money Bureau and Assistant Manager of Credit and Financial Risks; who meet at least once a month to discuss matters related to asset and liability management.

(v) Credit Committee -
The Credit Committee is a body with a level of autonomy for the approval of direct and indirect corporate credits, mortgage loans or other credit facilities in accordance with the limits established by the Board.

It is composed by the presiding Executive Chairman, the General Manager, the Central Manager of Business and Technology, the Manager of Development Banking and Financial Inclusion who acts as Secretary of the Committee and the Risk Manager as an observer without voting rights; workers deemed relevant to participate may also be invited to participate.

The Appropriations Committee meets according to the need to discuss the proposals submitted; however, it must meet at least every three months.

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(vi) General Management -
The General Manager has the mission of managing the Bank's activities, and to resolve matters that require its intervention, according to the Board's resolutions, taking judicial and Bank management representation.

Also, one of the functions and main duties of the General Manager is to plan, schedule, organize and supervise the activities and operations of the Bank's dependencies, according to the policies established by the Board, of this way, it can delegate in part its authority in other management officials of the Main Office or in the Heads of decentralized agencies (Regional Managers).

(b) Risk measurement and reporting systems -
Monitoring and controlling risks are primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Management is willing to accept. Likewise, The Bank monitors and measures the overall risk bearing capacity in relation to total risk exposure and with all types of risk.

Information compiled is examined and processed in order to analyze, control and identify early any risks. This information is presented and explained to the Risk Management Committee, ALM Risk Committee and Credit Committee. The report includes aggregate credit exposure, credit metric forecasts, hold limit exceptions, VaR (Value at Risk), liquidity ratios and risk profile changes. Management assesses the fair value of the investments and the appropriateness of the provision for credit losses periodically.

(c) Risk mitigation and d risk coverage -
The Bank, in order to mitigate the risks to which is exposed and concentrations thereof, has established a series of measures among which are the following: (i) Policies, procedures, methodologies, models and parameters aimed to allow to identify, measure, control and report credit risk, (ii) Review and assessment of risk concentrations, through the Risk Committee, (iii) Timely monitoring and tracking of credit risk and its maintaining within a defined tolerance level and, (iv) Compliance with regulatory limits and establishment of internal limits for the exposure concentrations to debtors and counterparties.

The Bank does not use derivatives or other financial instruments to manage exposures resulting from changes in interest rates and foreign currency, since, as indicated below, Management considers that the Bank is not significantly exposed to such risks. Additionally, the Bank features specialized committees in which the management of each of the risks in which the Bank is exposed are reported.

(d) Risk concentration –
Concentrations arise when several counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank performance to developments affecting a determinate industry or geographical location.

In order to avoid excessive risk concentrations, the Bank policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

24.1 Credit Risk -

(a) The Bank takes on exposure to credit risk, which is the risk that counterparty causes a financial loss by failing to discharge an obligation. Credit risk is the most important risk for the Bank business; therefore, Management carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans.

The Bank grants loans to its customers, mainly workers and pensioners of the Public Sector, Local and Regional Governments, financial institutions (Banks, Finance Companies, Rural and Municipal Banks and small businesses "Edpymes") and public sector entities. Loans are mainly granted to workers and pensioners of the Public Sector.

The Bank structure the levels of credit risk they undertake by placing limits on the amount of risk accepted in relation to one borrower or groups of borrowers, and to geographical segments. Such risks are monitored on a revolving basis and subject to frequent reviews. Limits in the level of credit risk by product and by geographic segment are approved by the Board of Directors.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. Some other specific control and mitigation measures are outlined below:

(i) Collateral

The Bank uses a range of policies and practices to mitigate credit risk. The most traditional of these is taking of collateral for loans granted. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The main types of collateral obtained are as follows:

- For consumer loans aimed at workers and pensioners of the Public Sector, the Bank mitigates the credit risk by requesting a signed promissory note and receiving as a deposit the salary of these debtors.

- For residential mortgage loans, guarantees include mortgages on real estate.

- For loans granted to Financial Intermediaries, the Bank requests as guarantee the signing of a promissory note, the assignment of rights on the loan portfolio or the constitution of security interest on the loan portfolio classified in the "Normal" category, which is equivalent to the amount of credit granted.

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- For commercial loans, the Bank requests deposits in guarantee, stand-by letters of credit, regular budget resources; as appropriate the existing legal framework.

Collaterals are classified in self-liquidating preferred, highly liquid preferred and preferred in accordance with SBS Resolution No 11356-2008, see Note 2(e).

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 provision for impairment losses. It is a Bank policy to dispose off repossessed properties in an orderly manner. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank do not use repossessed properties for its own business.

At the same time, the Bank has a Risk Management, which establishes the overall credit policies for each and all the businesses in which the Bank decides to take part in.

(b) The maximum exposure to credit risk as of December 31, 2019 and 2018, before the effect of mitigation through any collateral, is the book value of each class of financial assets indicated in Note 23 and the contingent operations detailed in Note 16(a).

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from both its loan portfolio and investments based on the following:

- 95.05 percent of the gross loan portfolio (direct and indirect) is categorized in the top two grades of the internal rating system establish by the SBS as of December 31, 2019 (97.40 percent as of December 31, 2018);

- 95.40 percent of the loan portfolio is considered neither past due nor impaired as of December 31, 2019 (97.44 percent as of December 31, 2018);

- 72.83 percent of the commercial loan portfolio has a sovereign risk as of December 31, 2019 (95.40 percent as of December 31, 2019);

- 100 per cent of investments classified in Peru or abroad have at least investment grade (BBB- or greater) as of December 31, 2019 and 2018;

- 11.91 percent and 86.4 percent of the cash and due from banks represent amounts deposited in the Bank and in the BCRP, respectively, as of December 31, 2019 (11.41 percent and 43.89 percent, respectively, as of December 31, 2018).

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(c) Credit risk management for loans -
The Bank classified their loan portfolio into one of five risk categories according with numeral 2, Chapter II of SBS Resolution N°11356-2008, which considers the degree of risk of non-payment of each borrower. The categories used are: (i) normal, (ii) with potential problems, (iii) substandard, (iv) doubtful and (v) loss, which have the following characteristics:

(i) Normal: Non-retail borrowers are classified into this category, when their financial situation is liquid, their debt-to-equity ratio is low and their ability to generate benefits and cash flows allow to fulfill their obligations timely. On the other hand, retail and mortgage borrowers are included into this category when payments are current or up to 8 days past due and are current or up to 30 days past due.

(ii) With Potential problems: Non-retail borrowers are classified into this category, when their financial situation is solid, their debt-to-equity ratio is moderate and their cash flows are sufficient to pay off notional and interest, however, such cash flows could fall off in the following twelve months. On the other hand, retail and mortgage borrowers are included into this category when payments of their loans from 9 to 30 days due and from 31 to 60 days past due, respectively.

(iii) Substandard: Non-retail borrowers are classified into this category, when their financial situation is weak, and their cash flows do not allow to pay off neither notional nor interest and payments are between 60 and 121 days past due. On the other hand, retail and mortgage borrowers are included into this category when payments are from 31 to 60 days past due and from 61 to 120 days past due, respectively.

(iv) Doubtful: Non-retail borrowers are classified into this category, when the financial situation does not allow them to pay off neither notional nor interest, their debt-to-equity ratio is high and they are forced to sell their significant assets or payments are between 120 and 365 days late. On the other hand, retail and mortgage borrowers are included into this category when payments are from 61 to 120 days past due from 121 to 365 days past due, respectively.

(v) Loss: Non-retail borrowers are classified into this category, when the financial situation does not allow them to deal with refinancing agreements the entity is not in operation or is in liquidation or payments are more than 365 days past due. Likewise, retail borrowers are classified in this category when they show arrears in the payment of their credits for more than 120 days, while debtors with mortgage loans are classified in this category when they show arrears in their payments for more than 365 days.

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Regarding the assessment of loan portfolios, the Bank classified borrowers into the risk categories established by SBS and according to the classification criteria set out for each loan type that is, for the borrowers belonging to the non-retail, consumer and mortgage portfolio. The classification of borrowers into their corresponding categories is determined by following the criteria set out by SBS Resolution N°11356-2008, see note 2(e).

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary legal procedures have been completed and the write-off have been approved by the Board of Directors, in accordance with the SBS Resolution No. 11356-2008. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the statements of comprehensive income.

The following is a summary of the direct loans classified in three major groups:

(i) Loans neither past due nor impaired, comprising those direct loans having presently no delinquency characteristics and related to clients ranked as normal or potential problems; ii) Past due but not impaired loans, comprising past due loans of clients classified as normal or with potential problems and iii) Impaired loans, or those past due loans of clients classified as substandard, doubtful or loss; presented net of the provision for loan losses for each of the loan classifications:

	As of December 31, 2019						As of December 31, 2018					
	Commercial loans S/(000)	Micro-Business loans S/(000)	Consumer Loans S/(000)	Residential mortgage loans S/(000)	Total S/(000)	%	Commercial loans S/(000)	Micro-Business loans S/(000)	Consumer loans S/(000)	Residential mortgage loans S/(000)	Total S/(000)	%
Neither past due nor impaired -												
Normal	702,360	-	5,289,326	319,079	6,310,765	100.5	3,247,599	-	5,413,902	287,108	8,948,609	100.8
Potential problem	480	-	50,087	1,490	52,057	0.8	-	-	46,466	1,129	47,595	0.5
Past due but not impaired -												
Normal	-	-	-	-	-	-	-	-	-	-	-	-
Potential problem	-	-	-	-	-	-	198	-	4	5	208	-
Impaired -												
Substandard	-	-	49,535	1,086	50,621	0.8	29	-	40,732	1,267	42,028	0.5
Doubtful	10	-	108,595	2,380	110,985	1.8	-	-	82,845	1,709	84,554	1.0
Loss	6,359	638	137,205	1,116	145,318	2.3	6,347	643	102,315	821	110,125	1.2
Gross	709,209	638	5,634,748	325,151	6,669,746	106.2	3,254,173	643	5,686,264	292,039	9,233,119	104.0
Less: Provision for loan losses	25,936	638	357,533	5,651	389,757	(6.2)	(43,727)	(643)	(307,303)	(4,721)	(356,394)	(4.0)
Total, net	683,273	-	5,277,215	319,500	6,279,989	100.0	3,210,446	-	5,378,961	287,318	8,876,725	100.0

Following is the detail of the gross amount of impaired loans by loan type, along with the estimated fair value of the related guarantee and the amounts of the provision for loan losses:

	As of December 31, 2019					As of December 31, 2018				
	Commercial loans S/(000)	Micro-Business Loans S/(000)	Consumer loans S/(000)	Residential mortgage loans S/(000)	Total S/(000)	Commercial loans S/(000)	Micro-Business loans S/(000)	Consumer Loans S/(000)	Residential mortgage loans S/(000)	Total S/(000)
Impaired loans	6,369	638	295,335	4,582	306,924	6,376	643	225,892	3,797	236,708
Collateral	-	-	-	4,543	4,543	-	-	-	279	279
Provision for loan losses	6,365	638	214,746	2,815	224,564	6,354	643	162,205	2,128	171,330

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As of December 31, 2019 and 2018, the exposure to this loan portfolio risk is distributed in the following economic sectors:

	2019 S/(000)	2018 S/(000)
Public administration and defense	595,746	3,104,846
Financial intermediation	89,081	142,980
Mining and oil	3,362	3,392
Transport, storage and communications	-	1,937
Other community services	1,608	1,611
Others	20,050	50
Sub – Total	709,847	3,254,816
Consumer loans	5,634,748	5,686,264
Residential mortgage loans	325,151	292,039
Total	6,669,746	9,233,119

(d) Credit risk management on investments -

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

The following table presents the risk classification of investments at fair value through profit and loss provided by the institutions referred to above:

	As of December 31, 2019	
	S/(000)	%
Instruments rated in Peru:		
AAA	4,760	7.2
A- a A+	21,988	33.3
BBB- a BBB+	39,315	59.5
Total	66,063	100.0

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The following table presents the risk-rating analysis of the available-for-sale investments provided by the institutions referred to above:

	As of December 31, 2019		As of December 31, 2018	
	S/(000)	%	S/(000)	%
Instruments rated in Peru:				
AAA	59,150	0.7	69,950	0.8
AA- a AA+	7,907	0.1	13,783	0.2
Short-term instruments (non-listed)				
BCRP Certificate of deposits	2,717,694	33.9	2,516,329	27.5
Treasury notes	679,848	8.5	1,505,853	16.4
Commercial paper				
Subtotal	3,464,599	43.2	4,105,915	44.8
Instruments rated abroad:				
AAA	-	-	438,641	4.8
A- a A+	4,351,776	54.2	3,137,631	34.3
BBB- a BBB+	174,208	2.2	1,452,299	15.9
Non-listed shares	31,684	0.4	26,329	0.3
Subtotal	4,557,668	56.8	5,054,900	55.2
Total	8,022,267	100.0	9,160,815	100.0

The following table presents the risk analysis of the held-to-maturity investments provided by the institutions referred to above:

	As of December 31, 2019		As of December 31, 2018	
	S/(000)	%	S/(000)	%
Instruments rated abroad:				
A- a A+	1,826,007	100.0	2,050,548	100.0
Total	1,826,007	100.0	2,050,548	100.0

As of December 31, 2019 and 2018, the financial instruments exposed to credit risk according to geographic area are the following:

	As of December 31, 2019					As of December 31, 2018			
	Loans and receivables S/(000)	Available-for-sale investments S/(000)	Held-to-maturity investments S/(000)	At fair value through profit or loss S/(000)	Total S/(000)	Loans and receivables S/(000)	Available-for-sale investments S/(000)	Held-to-maturity investments S/(000)	Total S/(000)
Peru	22,003,863	7,938,167	1,826,007	66,063	31,834,100	17,794,074	8,123,816	2,050,548	27,968,438
United States of America	104,569	32,608	-	-	137,177	47,771	48,239	-	96,010
Colombia		-	-	-		-	196,003	-	196,003
Mexico		-	-	-		-	303,618	-	303,618
Panama		31,684	-	-	31,684	-	28,770	-	28,770
England	36,044	-	-	-	36,044	33,735	-	-	33,735
Germany	4,977	-	-	-	4,977	5,343	-	-	5,343
Other countries	11,517	19,808	-	-	31,325	14,744	460,369	-	475,113
Country risk	(87)	-	-	-	(87)	(89)	-	-	(89)
Total	22,160,883	8,022,267	1,826,007	66,063	32,075,220	17,895,578	9,160,815	2,050,548	29,106,941

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24.2 Liquidity risk -

The liquidity risk is the inability of the Bank to meet the maturity of their obligations which can result in losses that has a significant effect in its financial position. This risk can occur as a result of various events, such as: the unexpected reduction of funding sources, the inability to liquidate assets quickly, among others.

The Bank's liquidity is managed by the Asset and Liability Committee ("ALCO") where the positions, movements, indicators and limits on liquidity management are presented. Liquidity risk is in turn monitored by the Risk Committee, where the appetite for risk is defined to be proposed to the Board of Directors and indicators, limits and related controls are reviewed.

Likewise, the Bank has a set of indicators that are monitored and reported frequently, these indicators establish the minimum liquidity levels allowed. The indicators reflect different aspects of risk such as: concentration, stability, currency position, availability of liquid assets, etc.

The process used for matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. However, 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 the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature are important factors in assessing the liquidity of the Bank and their exposure to changes in interest rates and exchange rates.

The Bank has an internal model which is based on expected maturities and the use of methodological assumptions for asset and liability accounts. Therefore: (i) for asset accounts, it is considered the expected cash flows of investment and loans accounts and it is assumed the distribution criteria for receivables accounts; and, (ii) for liability accounts with uncertain maturity methodology Internal historic LAR (Liquidity at Risk) is applied. This methodology is based on the review of historical data of accounts and the volatility of their variations in order to estimate their expected maturity. In addition, criteria for the distribution of accounts payable and the remaining liabilities are assumed, and their cash flows are distributed according to their contractual maturity.

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The table below presents the cash flows payable by the Bank by remaining contractual maturities (not including future interest payments if applicable) as of the date of the statements of financial position. The amounts disclosed in the table are the contractual undiscounted cash flows:

	As of December 31, 2019					As of December 31, 2018				
	Up to a month S/(000)	From 1 to 3 months S/(000)	From 3 to 12 months S/(000)	Over 1 year S/(000)	Total S/(000)	Up to a month S/(000)	From 1 to 3 months S/(000)	From 3 to 12 months S/(000)	Over 1 year S/(000)	Total S/(000)
Financial liabilities by type -										
Deposits and obligations to the public	2,438,166	2,384,492	1,537,566	22,741,223	29,101,447	2,565,638	2,230,123	1,267,233	20,410,825	26,473,819
Deposits of financial system companies and international financial entities	220,480	2,215	-	-	222,695	217,630	224	-	-	217,854
Securities, bonds and obligations outstanding	-	-	1,670	249,963	251,633	-	-	1,670	249,977	251,647
Accounts payable	125,432	80,698	30,915	83,499	320,544	119,262	80,114	26,756	128,149	354,281
Other liabilities	156,281	-	-	-	156,281	363,878	-	-	-	363,878
Total liabilities	2,940,359	2,467,405	1,570,151	23,074,685	30,052,600	3,266,408	2,310,461	1,295,659	20,788,951	27,661,479

The following table presents the changes in liabilities from financing activities as indicated by IAS 7:

	January 1, 2019 S/(000)	Cash flows S/(000)	Approval of profit sharing S/(000)	Interest payable S/(000)	December 31, 2019 S/(000)
Distribution of income to Public Treasury	-	(569,000)	569,000	-	-
Subordinated bonds issue	251,647	(20,000)	-	19,986	251,633
Total liabilities from financing activities	251,647	(589,000)	569,000	19,986	251,633

	January 1, 2018 S/(000)	Cash flows S/(000)	Approval of profit sharing S/(000)	Interest payable S/(000)	December 31, 2018 S/(000)
Distribution of income to Public Treasury	-	(527,597)	527,597	-	-
Subordinated bonds issue	251,659	(20,000)	-	19,988	251,647
Total liabilities from financing activities	251,659	(547,597)	527,597	19,988	251,647

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24.3 Market Risk –

The Bank is exposed to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and the level of volatility of prices such as interest rates, foreign exchange rates, commodities and equity prices; all of which are exposed to general and specific market movements. Due to the nature of the Bank current activities, commodity price risk is not applicable.

(i) Interest rate risk -

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. Cash flows interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The impact of changes in interest rates can occur in two ways: first, that translates into an impact on expected earnings, directly related to the reinvestment risk and the risk that generates when the movements in rates interest expose the firm to higher costs in financing operations (deposit rates); or lower returns in its investment operations (lending rates). The second is related to the valuation of assets and liabilities of the entity and therefore the economic value or actual value of the Patrimony of the same. This mode occurs when interest rates change the market, used for the recovery of the various instruments that are part of the statements of financial position of the Bank.

The SBS defines these two impacts as Earnings at Risk ("GER" its acronym in Spanish) and Equity Value at Risk ("VPR" its acronym in Spanish), establishing a maximum regulatory limit of 5.0 percent for the first, and demanding an increase of additional cash equity in case the second exceeds the 15.0 percent.

As of December 31, 2019 and 2018, the Bank introduced a VPR of 7.9 and 6.6 percent, respectively, and obtained a GER of 0.5 and 0.6 percent for the periods 2019 and 2018, respectively.

The Board sets limits on the level of imbalance of interest rate repricing that may have, which is monitored by Risk Management.

Re-pricing gap –

The analysis of the repricing gap comprises determining the amount of assets and liabilities that reprice interest rates in each time gap, considering the maturity of the operation and the period of repricing of interest rate for the next period. This analysis focuses on measuring the impact of changes in interest rates on expected earnings.

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

	As of December 31, 2019					
	Up to 1 month S/(000)	More than 1 up to 3 months S/(000)	More than 3 up to 12 months S/(000)	More than 12 months S/(000)	Non-interest bearing S/(000)	Total S/(000)
Assets						
Cash and due from banks	7,121,440	1,000,000	5,000,013	726	2,201,884	15,324,063
Investments at fair value through profit or loss	66,063	-	-	-	-	66,063
Available-for-sale investments	370,351	787,247	1,944,847	4,919,822	-	8,022,267
Held-to-maturity investment	4,638	34,060	60,000	1,727,309	-	1,826,007
Loans, net	229,915	406,448	1,642,149	4,041,180	-	6,319,692
Accounts receivable and other assets	64,451	6,999	84	367,757	938,918	1,378,209
Total assets	7,856,858	2,234,754	8,647,093	11,056,794	3,140,802	32,936,301
Liabilities						
Deposits and obligations to the public	5,828,612	5,850,543	6,131,399	8,344,088	3,169,500	29,324,142
Securities, bonds and obligations outstanding	-	-	1,670	249,963	-	251,633
Accounts payable and other liabilities	132,523	-	5,347	12,773	445,062	595,705
Shareholders' equity	-	-	-	-	2,764,821	2,764,821
Total liabilities and shareholders' equity	5,961,135	5,850,543	6,138,416	8,606,824	6,379,383	32,936,301
Marginal gap	1,895,723	(3,615,789)	2,508,677	2,449,970	(3,238,581)	-
Accumulated gap	1,895,723	(1,720,066)	788,611	3,238,581	-	-

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	As of December 31, 2018					
	Up to 1 month S/(000)	More than 1 up to 3 months S/(000)	More than 3 up to 12 months S/(000)	More than 12 months S/(000)	Non-interest bearing S/(000)	Total S/(000)
Assets						
Cash and due from banks	6,444,621	-	9	667	2,164,980	8,610,277
Available-for-sale investments	442,490	1,813,485	1,927,332	4,977,508	-	9,160,815
Held-to-maturity investment	8,544	6,462	60,000	1,975,542	-	2,050,548
Loans, net	2,270,772	397,806	2,010,975	4,484,557	(233,714)	8,930,396
Accounts receivable and other assets	32,051	9,270	330	343,220	951,196	1,336,067
Total assets	9,198,478	2,227,023	3,998,646	11,781,494	2,882,462	30,088,103
Liabilities						
Deposits and obligations to the public	5,538,551	5,133,083	5,447,391	7,782,621	2,790,027	26,691,673
Securities, bonds and obligations outstanding	-	-	1,670	249,977	-	251,647
Accounts payable and other liabilities	420,980	-	6,065	13,433	385,151	825,620
Shareholders' equity	-	-	-	-	2,319,154	2,319,154
Total liabilities	5,959,531	5,133,083	5,455,126	8,046,031	5,494,332	30,088,103
Marginal gap	3,238,947	(2,906,060)	(1,456,480)	3,735,463	(2,611,870)	-
Accumulated gap	3,238,947	332,887	(1,123,593)	2,611,870	-	-

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The Bank's exposure to this risk is given by changes in interest rates, basically for its financial obligations and debtors. The Bank does not use derivative financial instruments to hedge this risk, which is minimized by maintaining its financial obligations at fixed interest rates.

As it stated above, management believes that fluctuations in interest rates will not affect the Bank's results.

(ii) Foreign exchange risk -

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

The foreign currency transactions are made at the free market exchange rates.

As of December 31, 2019, the weighted average market exchange rate published by the SBS for transactions in U.S. Dollars was S/3.311 per US$1 bid and S/3.317 per US$1 ask (S/3.369 and S/3.379 as of December 31, 2018, respectively). As of December 31, 2019, the exchange rate for the accounting of assets and liabilities in foreign currency set by SBS was S/3.314 per US$1 (S/3.373 as of December 31, 2018).

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The table below presents the detail of the Bank's currency position as of December 31, 2019 and 2018:

	2019				2018			
	U.S. Dollars S/(000)	Soles S/(000)	Other currencies S/(000)	Total S/(000)	U.S. Dollars S/(000)	Soles S/(000)	Other currencies S/(000)	Total S/(000)
Monetary assets								
Cash and due from Banks	2,063,643	13,201,414	59,006	15,324,063	357,988	8,252,289	-	8,610,277
Investments at fair through profit or loss	66,063	-	-	66,063	-	-	-	-
Available-for-sale investments	255,164	7,767,103	-	8,022,267	1,940,287	7,220,528	-	9,160,815
Held-to-maturity investment	-	1,826,007	-	1,826,007	-	2,050,548	-	2,050,548
Loans, net	-	6,319,692	-	6,319,692	-	8,930,396	-	8,930,396
Accounts receivable, net	11,057	345,307	-	356,364	59,655	233,028	-	292,683
Other assets, net, note 8	74,113	86,599	52	160,764	7,802	54,420	-	62,222
Total monetary assets	2,470,040	29,546,122	59,058	32,075,220	2,365,732	26,741,209	-	29,106,941
Monetary liabilities								
Deposits and obligations to the public	2,378,856	26,686,585	36,006	29,101,447	2,181,855	24,242,437	49,527	26,473,819
Deposits of financial system companies and international financial entities	6,996	215,699	-	222,695	75,473	142,381	-	217,854
Securities, bonds and obligations outstanding	-	251,633	-	251,633	-	251,647	-	251,647
Accounts payable	998	319,546	-	320,544	1,012	353,269	-	354,281
Other liabilities, note 8	14,317	141,964	-	156,281	7,398	357,910	-	363,878
Total monetary liabilities	2,401,167	27,615,427	36,006	30,052,600	2,265,738	25,346,214	49,527	27,661,479
Net monetary position	68,873	1,930,695	23,052	2,022,620	99,994	1,394,995	(49,527)	1,445,462

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As of December 31, 2019, the Bank has contingent operations (indirect loans) in foreign currency for approximately US$47 million, equivalent to approximately S/157 million (approximately US$66 million, equivalent to approximately S/224 million as of December 31, 2018).

The Bank manages foreign exchange risk by monitoring and controlling the position value due to changes in exchange rates. The Bank measures their performance in soles, so if the net foreign exchange position (e.g. U.S. Dollar) is positive, any depreciation of the Peruvian currency would affect positively the Bank's statements of financial position. The current position in a foreign currency comprises exchange rate-linked assets and liabilities in that currency. An institution's 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 statements of comprehensive income.

The Bank's net monetary position is the sum of its positive open positions in non-Peruvian currencies (net long position) less the sum of its negative open positions in non-Peruvian currencies (net short position); and any devaluation/revaluation of the foreign currency would affect the statement of comprehensive income. An imbalance in the monetary position would make the Bank's statement of financial position vulnerable to the fluctuation of the foreign currency (exchange rate shock).

The table below shows the sensitivity analysis of the U.S. Dollar, the currency to which the Bank has significant exposure as of December 31, 2019 and 2018 on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Peruvian currency, with all other variables held constant on the statements of comprehensive income, before income tax. A negative amount in the table reflects a potential net reduction in statements of comprehensive income, while a positive amount reflects a net potential increase:

Sensitivity Analysis	Change in currency rates %	2019 S/(000)	2018 S/(000)
Devaluation -			
U.S. Dollar	5	(5,207)	(3,545)
U.S. Dollar	10	(10,414)	(7,089)
Revaluation -			
U.S. Dollar	5	5,207	3,190
U.S. Dollar	10	10,414	7,089

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24.4. Fair values -

(a) Financial instruments measured at fair value and fair value hierarchy -

The following table presents an analysis of the financial instruments that are measured at fair value as of December 31, 2019 and 2018, including the level of the fair value hierarchy. The amounts are based on the balances presented in the statements of financial situation:

		As of December 31, 2019			
	Note	Level 1 S/(000)	Level 2 S/(000)	Level 3 S/(000)	Total S/(000)
Investments at fair value through profit or loss:					
Corporate bonds		61,292	-	-	61,292
Supranational bonds		4,759	-	-	4,759
Total investments at fair value through profit or loss	4(a)	66,051	-	-	66,051
Available-for-sale investments:					
Sovereign bonds		4,143,861	109,652	-	4,253,513
BCRP Certificates of deposit		-	2,683,026	-	2,683,026
Global bonds		170,945	-	-	170,945
Corporate bonds		3,073	66,298	-	69,371
Other instruments		720,597	-	-	720,597
Equity securities		31,684	-	-	31,684
		5,070,160	2,858,976	-	7,929,136
Country risk allowance					93,131
Total investments available for sale	4(a)				8,022,267

		As of December 31, 2018			
	Note	Nivel 1 S/(000)	Nivel 2 S/(000)	Nivel 3 S/(000)	Total S/(000)
Available-for-sale investments:					
Sovereign bonds		2,946,673	119,775	-	3,066,448
BCRP Certificates of deposit		-	2,481,919	-	2,481,919
Global bonds		873,899	-	-	873,899
Corporate bonds		103,019	82,627	-	185,646
Other instruments		918,184	1,489,096	-	2,407,280
Equity securities		26,329	-	-	26,329
		4,868,104	4,173,417	-	9,041,521
Country risk allowance					119,294
Total investments available for sale	4(a)				9,160,815

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Financial instruments included in the Level 1 category are those that are measured based on 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 based on observed markets 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 Bank financial instruments where valuation techniques were used with inputs based on market data which incorporate the Bank's estimates on the assumptions that market participants would use for measuring these financial instruments:

- Valuation of BCRP certificates of deposit, corporate and sovereign bonds are estimated calculating their Net Present Values (NPV) through discounted cash flows, using appropriate and relevant zero-coupon rate curves to discount cash flows in its respective currency and considering observable current market transactions. Other debt instruments are valuated 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 most assumptions are market observable.

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(b) Financial instruments not measured at fair value -

Set out below is 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 statements of financial position by level of the fair value hierarchy:

	As of December 31, 2019					As of December 31, 2018				
	Level 1 S/(000)	Level 2 S/(000)	Level 3 S/(000)	Fair value S/(000)	Book value S/(000)	Level 1 S/(000)	Level 2 S/(000)	Level 3 S/(000)	Fair value S/(000)	Book value S/(000)
Assets										
Cash and due from banks	-	15,324,063	-	15,324,063	15,324,063	-	8,610,277	-	8,610,277	8,610,277
Held-to-maturity investments	-	1,783,476	-	1,783,476	1,826,007	-	2,060,640	-	2,060,640	2,050,548
Loans, net	-	6,319,692	-	6,319,692	6,319,692	-	8,930,396	-	8,930,396	8,930,396
Accounts receivable	-	356,364	-	356,364	356,364	-	292,683	-	292,683	292,683
Other assets, net	-	160,764	-	160,764	160,764	-	62,222	-	62,222	62,222
Total	-	23,994,359	-	23,994,359	23,994,359	-	19,956,218	-	19,956,218	19,946,126
Liabilities										
Deposits and obligations to the public	-	29,101,447	-	29,101,447	29,101,447	-	26,473,819	-	26,473,819	26,473,819
Deposits of financial system companies	-	222,695	-	222,695	222,695	-	217,854	-	217,854	217,854
Securities, bonds and obligations outstanding	-	251,633	-	251,633	251,633	-	251,647	-	251,647	251,647
Accounts payable	-	320,544	-	320,544	320,544	-	354,281	-	354,281	354,281
Other liabilities	-	156,281	-	156,281	156,281	-	363,878	-	363,878	363,878
Total	-	30,052,600	-	30,052,600	30,052,600	-	27,661,479	-	27,661,479	27,661,479

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

(i) Assets for which fair values approximate their carrying value - For financial assets and financial liabilities that are liquid or having 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.

(ii) Financial instruments at fixed rate – The fair value of the financial liabilities at fixed rate and at amortized cost is determinate by comparing the market interest rate at the moment of their initial recognition to the current market rates related to similar financial instruments. 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. The fair value of the loan portfolio and deposits and obligation, according to SBS Multiple Official Letter N°1575-2014, correspond to its book value.

25. Contingencies

As of December 31, 2019 and 2018, the Bank has certain civil, administrative, labor and other related to its activities claims which, in opinion of the Management and its legal advisors no additional liabilities will result that should be recorded by the Bank, see note 8(e).

26. Subsequent events

As a result of COVID-19 outbreak that has been classified as a pandemic by the World Health Organization, the Peruvian Government published on March 15, 2020 the Supreme Decree No.044-2020-PCM which declares Nationwide State of Emergency for a period of fifteen (15) calendar days. This Supreme Decree establishes down various exceptional measures to protect the life and health of the population in Peru; such as:

- Ensure access to public services and essential goods and services;
- Limitation on the exercise of the right to freedom of transit of people;
- Restrictions of commercial activity, cultural activities, establishments and recreational activities, hotels and restaurants; and
- Temporary close of borders; among others.

Subsequently, the Peruvian Government has established a series of extensions to the Nationwide State of Emergency and, to the date, in accordance to the Supreme Decree No.094-2020-PCM issued on May 23, 2020 the Nationwide State of Emergency is in force until 30 June 2020.

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The health emergency has caused economic damage to natural and legal persons who maintain direct and indirect loans in the Bank. In this regard some clients had problems in meeting their payments. Consequently, SBS published the following Oficios Múltiples No.10997-2020-SBS, No.11150-2020-SBS and No.11170-2020-SBS which were issued on 13, 16 and 20 of March 2020, respectively. Through these Oficios Múltiples, the SBS has established exceptional measures to the credit portfolio, in order to facilitate the payment of the debt of customers of the Peruvian financial system affected by Covid-19 outbreak:

- The Bank may modify the contractual conditions of loans without considering these as refinanced credits insofar as the total term do not extend for more than six months of the original term. Also, debtors must have a maximum of fifteen (15) days overdue in their payments as of February 29, 2020.

- For retail loans with modification of contractual conditions, the interest associated may continue to be recognized on an accrual basis. However, if the debtor changes it situation to a past-due after setting new terms of credit, the Bank must revert the accrued interest of such loan proportionally in a period of six (06) months.

- For non-retail loans with modification of contractual conditions, the interest associated must be recognized in a cash basis. Non collected accrued interest related with these loans must be revert as of the date of modification.

- For debtors with more than fifteen (15) days overdue as of February 29, 2020, the computation of overdue days shall be suspended as long as the Nationwide State of Emergency is maintained.

- If a debtor has overdue payments after contractual modifications. Such loan will be considered as refinanced credit, following the general criteria of SBS Resolution No.11356-2008, see note 2(e).

In accordance with the Oficio Múltiple SBS No.11150-2020, the scope of the facilities mentioned above will be determined by the Bank, after analyzing the level of impact on its loan portfolio.

Considering the above, to date, the Bank modified loans of approximately S/1,995.0 million and recognized less interest accrued on consumer loans of approximately S/65.4 million with respect to May 2019. Also, according to the evaluation carried out, the Bank's Management has decided not to register voluntary provisions.

Operationally, the level of transactions in agencies was reduced in 21 per cent, mainly by social isolation, so the Bank encouraged clients to realize their operations online. The Bank was primarily attending, through the agencies, to beneficiaries of bonds granted by the government to vulnerable families.

The Bank’s Management is constantly evaluating operational and financial measures; to mitigate the effects that both COVID-19 outbreak and Supreme Decrees issued by the Peruvian Government have on the economy. To date, it's not possible to predict the impacts if this situation continues in the long-term; however, the accompanying financial statements have been prepared considering strategies established by the Bank's Management to face the situation described; as well as the continues support of the Ministerio de Economía y Finanzas (Ministry of Economy and Finance), so in Management's opinion , the Bank will continue under the going concern principle.

Furthermore, considering that the Nationwide State of Emergency was decreed after the end of 2019, the accompanying financial statements do not include the negative effects from COVID-19 outbreak or measures established in Supreme Decrees issued by the Peruvian Government in this context.

Except for the aforementioned, since December 31, 2019 until the approval of these financial statements by Management, see note 1, no significant events have arisen that affect these financial statements.

27. Prevailing Applicable Language

The accompanying translated financial statements were originally issued in Spanish and are presented based on accounting standards prescribed by the Superintendence of Banking, Insurance and Private Pension Funds Administrators for Peruvian financial entities, as described in Note 2. Certain accounting practices applied by the Bank that conform to those accounting principles may not conform to generally accepted accounting principles in other countries. In the event of a discrepancy, the Spanish language version prevails.

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COLEGIO DE CONTADORES PUBLICOS DE LIMA

Constancia de Habilitación

El Decano y el Director Secretario del Colegio de Contadores Públicos de Lima, que suscriben, declaran que, en base a los registros de la institución, se ha verificado que:

PAREDES, BURGA & ASOCIADOS S. CIVIL DE R.L.
REGISTRO DE SOCIEDAD: SO761

Se encuentra **HABIL**, para el ejercicio de las funciones profesionales que le faculta la Ley N.º 13253 y su modificación Ley N.º 28951 y conforme al Estatuto y Reglamento Interno de esté Colegio; en fe de lo cual y a solicitud de parte, se le extiende la presente constancia para los efectos y usos que estime conveniente. Esta constancia tiene vigencia hasta el 31 de MARZO del 2021.

Lima 07 de Mayo de 2020.

CPC. GUILLERMINA ZAVALA PAUCAR
DECANA

CPC. GLADYS MILAGROS BAZAN ESPINOZA
DIRECTORA SECRETARIA

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