



# Banco BBVA Perú

## Separate Financial Statements

**As of December 31, 2021 and 2020**

**(including Independent Auditors' Report)**

**(TRANSLATION OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN SPANISH)**



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*(TRANSLATION OF A REPORT ORIGINALLY ISSUED IN SPANISH)*

## INDEPENDENT AUDITORS' REPORT

### **To the Stockholders and Directors of Banco BBVA Perú**

We have audited the accompanying separate financial statements of Banco BBVA Perú (a subsidiary of BBVA Perú Holdings S.A.C., incorporated in Peru), which comprise the separate statement of financial position as of December 31, 2021 and 2020, and the separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Separate Financial Statements**

Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with accounting standards established for financial institutions in Peru by the Banking, Insurance and Pension Plan Agency (Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones – SBS) for financial institutions in Peru, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing approved for their application in Peru by the Dean's Council of the Peruvian Professional Associations of Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Bank's preparation and fair presentation of the separate 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 Bank'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 separate financial statements.

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



## Opinion

In our opinion, the separate financial statements referred to above, present fairly, in all material respects, the non-consolidated financial position of Banco BBVA Perú as of December 31, 2021 and 2020, and their non-consolidated financial performance and their non-consolidated cash flows for the years then ended, in accordance with accounting standards established for financial institutions in Peru by the SBS.

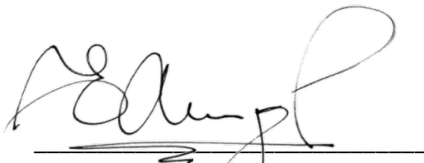
## Other Matters

The consolidated financial statements as of December 31, 2021 and 2020 of Banco BBVA Perú S.A. and its subsidiaries have been prepared and presented separately; and in our report, dated February 23, 2022, we expressed an unqualified opinion on those financial statements. The separate financial statements have been prepared in compliance with existing Peruvian requirements for financial statement presentation, and reflect the carrying amount of an investment in a subsidiary using the equity method.

Lima, Peru,

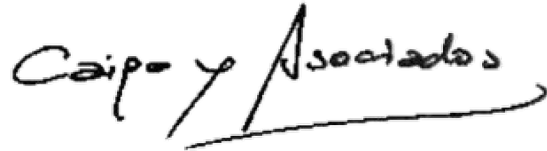
February 23, 2022

Countersigned by:



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Eduardo Alejos (Partner)  
Peruvian CPA Registration 29180



**Banco BBVA Perú**

# Separate Financial Statements

**As of December 31, 2021 and 2020**

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(Translation of Financial Statements originally issued in Spanish)

**Banco BBVA Perú**

Separate Statement of Financial Position

As of December 31, 2021 and 2020

<i>In thousands of soles</i>	<i>Note</i>	<b>2021</b>	<b>2020</b>
<b>Assets</b>			
Cash and due from banks	5	16,247,884	24,929,883
Interbank funds		-	137,599
Investments at fair value through profit or loss and available for sale	6	9,710,027	11,371,092
Loan portfolio, net	7	70,381,769	66,446,955
Held-for-trading instruments	8	1,767,732	898,595
Hedging instruments	8	75,805	103,354
Realizable, received as payment and repossessed assets		43,916	34,296
Investments in Subsidiaries and Associates	9	389,390	372,137
Property, furniture and equipment, net	10	1,071,350	1,012,968
Deferred tax	24	695,900	673,980
Net asset position	11	1,260,804	1,403,250
<b>Total assets</b>		<b>101,644,577</b>	<b>107,384,109</b>
Contingent risk and commitments	16	32,374,034	34,118,738

<i>In thousands of soles</i>	<i>Note</i>	<b>2021</b>	<b>2020</b>
<b>Liabilities</b>			
Deposits and obligations			
Financial institutions	12	64,130,359	72,305,600
Interbank funds		-	72,421
Debts and financial obligations	13	6,989,674	7,030,231
Held-for-trading instruments	8	1,572,020	876,395
Hedging instruments	8	35,059	14,633
Accounts payable, provisions and other liabilities	14	18,735,729	17,708,760
<b>Total liabilities</b>		<b>91,462,841</b>	<b>98,008,040</b>
<b>Equity</b>			
Capital stock	15	6,758,467	6,529,169
Reserves		1,896,680	1,831,131
Adjustments to equity		(32,704)	119,148
Retained earnings		1,559,293	896,621
<b>Total equity</b>		<b>10,181,736</b>	<b>9,376,069</b>
<b>Total equity and liabilities</b>		<b>101,644,577</b>	<b>107,384,109</b>
Contingent risk and commitments	16	32,374,034	34,118,738

The accompanying notes on pages 6 to 96 are an integral part of these separate financial statements.

(Translation of Financial Statements originally issued in Spanish)

**Banco BBVA Perú**

Separate Statement of Profit or Loss

For the years ended December 31, 2021 and 2020

<i>In thousands of soles</i>	<b>Note</b>	<b>2021</b>	<b>2020</b>
Interest revenue	17	4,209,339	4,253,579
Interest expense	18	(635,187)	(1,049,264)
<b>Gross financial income</b>		<b>3,574,152</b>	<b>3,204,315</b>
Provision for direct loans, net of recovery	7	(756,352)	(1,723,646)
<b>Net financial income</b>		<b>2,817,800</b>	<b>1,480,669</b>
Financial service income, net	19	841,242	776,808
<b>Financial income net of income and expenses for financial services</b>		<b>3,659,042</b>	<b>2,257,477</b>
Profit or loss from financial transactions	20	739,974	687,338
<b>Operating margin</b>		<b>4,399,016</b>	<b>2,944,815</b>
Administrative expenses	21	(1,784,279)	(1,677,491)
Depreciation and amortization		(194,469)	(193,654)
<b>Net operating margin</b>		<b>2,420,268</b>	<b>1,073,670</b>
Measurement of assets and provisions		(178,415)	(169,297)
<b>Net operating profit or loss</b>		<b>2,241,853</b>	<b>904,373</b>
Other income and expenses, net	22	(16,171)	(24,881)
<b>Profit or loss before tax</b>		<b>2,225,682</b>	<b>879,492</b>
Income tax	23	(666,389)	(224,356)
<b>Net profit or loss</b>		<b>1,559,293</b>	<b>655,136</b>
<b>Basic and diluted earnings per share in soles</b>	<b>25</b>	<b>0.2307</b>	<b>0.0969</b>
<b>Weighted average number of outstanding shares (in thousands of shares)</b>	<b>25</b>	<b>6,758,467</b>	<b>6,758,467</b>

The accompanying notes on pages 6 to 96 are an integral part of these separate financial statements.

*(Translation of Financial Statements originally issued in Spanish)*

**Banco BBVA Perú**

Separate Statement of Profit or Loss and Other Comprehensive Income  
For the years ended December 31, 2021 and 2020

<i>In thousands of soles</i>	<b>2021</b>	<b>2020</b>
Net profit	1,559,293	655,136
<b>Other comprehensive income</b>		
Unrealized gain (loss) for investments available-for-sale	(153,023)	79,405
Unrealized gain (loss) on cash flow hedges	(15,251)	14,754
Interests in other comprehensive income of subsidiaries and associates	512	410
Unrealized gain for actuarial liabilities	15,566	16,493
Income tax related to components of other comprehensive income	344	(14,730)
<b>Other comprehensive income, net of tax</b>	<b>(151,852)</b>	<b>96,332</b>
<b>Total other comprehensive income</b>	<b>1,407,441</b>	<b>751,468</b>

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(Translation of Financial Statements originally issued in Spanish)

**Banco BBVA Perú**

Separate Statement of Changes in Equity

For the years ended December 31, 2021 and 2020

<i>In thousands of soles</i>	<b>Number of shares in thousands (note 15.B)</b>	<b>Share capital (note 15.B)</b>	<b>Reserves (note 15.C)</b>	<b>Adjustments to equity (note 15.D)</b>	<b>Retained earnings (note 15.E)</b>	<b>Total equity</b>
Balance as of January 1, 2020	5,885,209	5,885,209	1,669,835	22,816	1,609,900	9,187,760
Net profit	-	-	-	-	655,136	655,136
<b>Other comprehensive income</b>						
Unrealized gain on available-for-sale investments	-	-	-	73,893	-	73,893
Unrealized profit from cash flow hedges	-	-	-	10,401	-	10,401
Interests in other comprehensive income of subsidiaries and associates	-	-	-	410	-	410
Unrealized gain for actuarial liabilities	-	-	-	11,628	-	11,628
<b>Total other comprehensive income</b>	-	-	-	<b>96,332</b>	<b>655,136</b>	<b>751,468</b>
<b>Changes in equity (not included in comprehensive income)</b>						
Dividends	-	-	-	-	(563,465)	(563,465)
Capitalization of retained earnings	643,960	643,960	-	-	(643,960)	-
Additions to reserves and other movements	-	-	161,296	-	(160,990)	306
<b>Balance as of December 31, 2020</b>	<b>6,529,169</b>	<b>6,529,169</b>	<b>1,831,131</b>	<b>119,148</b>	<b>896,621</b>	<b>9,376,069</b>
Balance as of January 1, 2021	6,529,169	6,529,169	1,831,131	119,148	896,621	9,376,069
Net profit	-	-	-	-	1,559,293	1,559,293
<b>Other comprehensive income</b>						
Unrealized loss on available-for-sale investments	-	-	-	(152,587)	-	(152,587)
Unrealized loss from cash flow hedges	-	-	-	(10,752)	-	(10,752)
Interests in other comprehensive income of subsidiaries and associates	-	-	-	512	-	512
Unrealized gain for actuarial liabilities	-	-	-	10,975	-	10,975
<b>Total other comprehensive income</b>	-	-	-	<b>(151,852)</b>	<b>1,559,293</b>	<b>1,407,441</b>
<b>Changes in equity (not included in comprehensive income)</b>						
Dividends	-	-	-	-	(601,810)	(601,810)
Capitalization of retained earnings	229,298	229,298	-	-	(229,298)	-
Additions to reserves and other movements	-	-	65,549	-	(65,513)	36
<b>Balance as of December 31, 2021</b>	<b>6,758,467</b>	<b>6,758,467</b>	<b>1,896,680</b>	<b>(32,704)</b>	<b>1,559,293</b>	<b>10,181,736</b>

The accompanying notes on pages 6 to 96 are an integral part of these separate financial statements.



(Translation of Financial Statements originally issued in Spanish)

**Banco BBVA Perú**

Separate Statement of Cash Flows

For the years ended December 31, 2021 and 2020

<i>In thousands of soles</i>	<i>Note</i>	<b>2021</b>	<b>2020</b>
Reconciliation of the net profit to the cash and flows from operating activities			
Net profit		1,559,293	655,136
<b>Adjustments</b>			
Depreciation and amortization		194,469	193,654
Impairment of property, furniture and equipment, and intangible assets		50,946	20,113
Impairment of available-for-sale investments and investments in subsidiaries		(2,633)	23,972
Provisions		886,454	1,848,858
Other adjustments		1,030,989	119,605
<b>Net changes in assets and liabilities</b>			
Loan portfolio		(2,964,975)	(10,405,427)
Available-for-sale investments		(1,889,581)	434,543
Accounts receivable and others		591,405	309,011
Unsubordinated financial liabilities		(11,044,961)	13,272,864
Accounts payable and others		1,454,296	11,866,290
<b>Profit or loss for the period after net changes in assets, liabilities and adjustments</b>		<b>(10,134,298)</b>	<b>18,338,619</b>
Paid tax		(861,651)	(635,438)
<b>Net cash and cash equivalents from operating activities</b>		<b>(10,995,949)</b>	<b>17,703,181</b>
<b>Cash flows from investing activities</b>			
Acquisition of intangible assets and property, furniture, and equipment		(337,421)	(236,999)
Other cash inflows from investing activities		75,684	53,407
<b>Net cash and cash equivalents used in investing activities</b>		<b>(261,737)</b>	<b>(183,592)</b>
<b>Cash flows from financing activities</b>			
Cash inflows from issuance of subordinated financial liabilities		729,800	-
Redemptions of subordinated financial liabilities		-	(719,400)
Cash paid for dividends		(601,232)	(562,761)
Other cash inflows from financing activities		192,900	308,048
Other cash outflows from financing activities		(1,451,913)	(2,303,090)
<b>Net cash and cash equivalents used in financing activities</b>		<b>(1,130,445)</b>	<b>(3,277,203)</b>
<b>Net increase (decrease) in cash and cash equivalents before effects of exchange rate fluctuations</b>		<b>(12,388,131)</b>	<b>14,242,386</b>
Effects of changes in exchange rates on cash and cash equivalents		963,645	1,238,806
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(11,424,486)</b>	<b>15,481,192</b>
<b>Opening balance</b>		<b>31,198,096</b>	<b>15,716,904</b>
<b>Closing balance</b>		<b>19,773,610</b>	<b>31,198,096</b>
Guarantee funds		843,075	1,896,324
Interbank funds		-	(137,599)
Investment with maturities of less than 90 days		(4,368,801)	(8,026,938)
<b>Aviable according to the separate statement of financial position</b>	<b>5</b>	<b>16,247,884</b>	<b>24,929,883</b>

The accompanying notes on pages 6 to 96 are an integral part of these separate financial statements.

(Translation of Financial Statements originally issued in Spanish)

## **Banco BBVA Perú**

Notes to the Separate Financial Statements  
December 31, 2021 and 2020

### **1. Background and Economic Activity**

#### **A. Background**

Banco BBVA Perú (hereinafter the Bank) is a subsidiary of BBVA Perú Holding S.A.C., which holds 46.12% of its share capital as of December 31, 2021 and 2020. The Bank Bilbao Vizcaya Argentaria S.A. holds 100% of the shares of BBVA Perú Holding S.A.C.

#### **B. Economic activity**

The Bank is a closely held corporation incorporated in 1951, and is authorized to operate as a banking institution by the SBS.

The Bank's activities mainly comprise financial intermediation by commercial banks. Such activities are governed by the SBS according to Law 26702 "General Law of the Financial and Insurance Systems and SBS Organic Law" and its amendments (hereinafter the Banking Law). This Law establishes the requirements, rights, obligations, collaterals, restrictions, and other operating conditions to which every legal entity operating in the financial and insurance systems is subject.

The Bank's legal domicile and headquarters is located at Av. República de Panamá No. 3055 - San Isidro, Lima, Peru.

As of December 31, 2021 and 2020, the Bank carries out its activities through a national network of 317 and 332 agencies, respectively. As of December 31, 2021 and 2020, the number of personnel was 6,183 and 5,974 employees, respectively.

As of December 31, 2021 and 2020, the Bank's subsidiaries are the following: BBVA Bolsa Sociedad Agente de Bolsa S.A., BBVA Asset Management S.A. SAF, BBVA Sociedad Titulizadora S.A., Inmuebles y Recuperaciones BBVA S.A, BBVA Consumer Finance EDPYME, Forum Comercializadora del Perú S.A. y Forum Distribuidora del Perú S.A. y Continental DPR Finance Company, a special purpose entity.

In accordance with the requirements of the SBS, the Bank prepares and separately presents its consolidated financial statements, in accordance with Peruvian GAAP applicable to companies of the Financial Institutions, which show the following balances as of December 31:

<i>In thousands of soles</i>	<b>2021</b>	<b>2020</b>
Loan portfolio	70,433,581	66,593,761
Total assets	101,495,755	107,337,268
Total liabilities	91,327,026	97,975,412
Equity	10,168,729	9,361,856
Net profit or loss	1,560,500	648,216

#### **National State of Emergency**

On March 11, 2020, the World Health Organization declared the new coronavirus (COVID-19) strain as a pandemic and recommended containment and mitigation measures globally. On March 15, 2020, the Peruvian government declared, through Supreme Decree 044-2020-PCM, a national state of emergency due to the serious circumstances affecting people's life as a result of the COVID-19 outbreak. At the reporting date, the Peruvian government extended the national state of emergency until February 28, 2022. In this sense, the Government established a series of exceptional and preventive measures.

**Banco BBVA Perú**

Notes to the Separate Financial Statements  
December 31, 2021 and 2020

The Bank did not stop its activities, even during the quarantine, to attend and support the government's financing programs and distribute social assistance initiatives, such as bonds (economic subsidies) for households vulnerable to poverty or extreme poverty.

Since the beginning of the pandemic, the Bank carried out a series of containment actions that led to the creation of a multidisciplinary team in charge of designing and implementing the strategy against the biosanitary crisis, whose main objective is to protect the health of employees and customers throughout Peru.

For this purpose, this multidisciplinary team designed a health strategy, a comprehensive infrastructure implementation and an office demand management based on the new reality raised due to the pandemic. Likewise, it was implemented a remote work strategy for employees of the main areas and for the employees considered vulnerable due to preexisting medical conditions.

The COVID-19's second wave in Peru started in early 2021 and progressed more until the end of August. The Bank organized a crisis management team that, based on its prior-year experience, is responsible for designing and implementing an action plan to strengthen the measures to prevent COVID-19 infection and ensure business continuity. The measures implemented by the Bank include the following:

- launch a COVID-19 helpline called "Hello, doctor" offered by a team of seven health experts that provide health advice to employees and book a COVID-19 diagnostic test;
- monitor the compliance of employees and customers with health and safety measures at the workplace; and
- provide online training on COVID-19 infection prevention and control.

In early September 2021, after the end of the COVID-19's second wave, the Bank start assessing a return-to-work plan. The assessment used experiences with remote work during the pandemic and contemplated the return of 500 employees through a hybrid work model (60% of on-site work and 40% of remote work), which was implemented in mid-November 2021.

It included communications on the development of new areas and services at the headquarters, as well as the implementation of health and safety measures—e.g., installing thermal imaging cameras and setting a physical distance of two meters.

At the reporting date, the Bank pushed its return-to-work date as a result the third wave, driven by Omicron variant, that lead to a surge in cases. The Bank continuously updates all measures and monitors key indicators.

**C. Peruvian government programs for economic reactivation**

The Ministry of Economy and Finance (MEF) implemented the following economic aid programs to debtors affected by the state of emergency:

<b>Program / Validity</b>	<b>Legal basis</b>	<b>Brief description of the program</b>	<b>Amount of the program</b>
Reactiva Perú Until November 30, 2020	Legislative Decree 1455 (April 6, 2020)  Ministerial Resolution 134-2020-EF (April 13, 2020)	It was created with the following purposes: <ul style="list-style-type: none"><li>▪ Respond to the liquidity needs that companies face due to the impact of COVID-19.</li></ul>	S/ 60,000 million

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<b>Program / Validity</b>	<b>Legal basis</b>	<b>Brief description of the program</b>	<b>Amount of the program</b>
		<ul style="list-style-type: none"> <li>▪ Ensure the continuity of the chain of payments.</li> </ul> <p>Through this program, the Government grants guarantees to companies so that they can access working capital loans, and can meet short-term obligations with their workers, and suppliers of goods and services. Credit hedge ranges between 80% and 98% of the loan, whose maximum amount per customer is S/ 10 million, which is terminated based on the volume of sales.</p> <p>Additionally, the Bank obtains the resources to grant these loans through repurchase agreement with the Central Reserve Bank of Peru (BCRP, for its Spanish acronym), for the guaranteed portion.</p>	
Debt rescheduling – Reactiva Peru Until December 31, 2021	Emergency Decree 026- 2021 (March 6, 2021)  Emergency Decree 039-2021 (April 22, 2021)  Emergency Decree 091-2021 (September 30, 2021)	The Peruvian government stated that loans granted under the Reactiva Peru program may be rescheduled, provided that they meet the legal requirements (mainly due to a drop in sales). Loans can be rescheduled using funding from the Bank or BCRP. The Bank may rise the interest rate by 25 BPS where its funds are used. The deadlines to access the debt rescheduling expired on September 30, 2021.  It was decided to extend the acceptance period for the rescheduling of guaranteed loans with the program until December 31, 2021.	S/ 19,500 million
FAE-SME Fund Until December 31, 2020	Emergency Decree 029- 2020 (March 20, 2020)  Ministerial Resolution 124-2020-EF (March 25, 2020)	Business Support Fund (FAE) for Small and Micro Enterprise (SME).  Initially, it applied for new working capital loans, rescheduling and refinancing and the maximum amount of the loan per customer was up to S/ 90 thousand with coverage percentages of 30%, 50% and 70%.  Currently, it applies for new working capital loans and the maximum amount of the loan per customer is up to S/ 30 thousand with coverage percentages of 95% and 98%.	S/ 4,000 million
FAE-MYPE rescheduling until December 31, 2021.	Emergency Decree 091-2021 (September 30, 2021)	It was decided to extend the acceptance period for the rescheduling of guaranteed loans with the program until December 31, 2021.	Not applicable

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Notes to the Separate Financial Statements  
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<b>Program / Validity</b>	<b>Legal basis</b>	<b>Brief description of the program</b>	<b>Amount of the program</b>
FAE for Tourism Until March 31, 2022	Emergency Decree 076-2020 (June 30, 2020)  Ministerial Resolution 228-2020-EF (August 11, 2020)	It was intended for SME that carry out lodging activities, interprovincial passenger land transport, tourist transport, travel and tourism agencies, restaurants, leisure activities, organization of congresses, conventions and events, tourist guidance, and production and marketing of handicrafts. Currently, it applies for new working capital loans and the maximum amount of the loan per customer is up to S/ 750 thousand with coverage percentages of 95% and 98%.	S/ 1,500 million
	Emergency Decree 091-2021 (September 30, 2021)	The term of the program was extended until March 31, 2022 and the credits will no longer be used exclusively for "working capital" but also the acquisition of "fixed assets".	
FAE for Farmers Until March 31, 2022	Emergency Decree 082-2020 (July 9, 2020)  Ministerial Resolution 226-2020-EF (August 09, 2020)	It was intended for farmers. The loans are granted by the Bank to its clients for working capital and guaranteed by the FAE for Farmers, which is managed by COFIDE. The maximum amount of the loan per customer is up to S/ 30 thousand with coverage percentages of 95% and 98%.	S/ 2,000 million
	Emergency Decree 091-2021 (September 30, 2021)	The term of the program was extended until March 31, 2022.	
CRECER Fund Until year 2049	Legislative Decree 1399 (September 7, 2018)  Supreme Decree 007-2019-EF (January 11, 2019)	It is a program that grants guarantees to loans for working capital, fixed assets and export credits to promote the productive and business development of SME. The maximum amount of the loan per customer is up to S/ 10 million. Coverage percentages are up to 75% for SME, up to 70% for Medium-business and up to 60% for exporting company.	Not specified
Government guarantee program, to the credit portfolio of financial institutions.  Until December 31, 2022.	Legislative Decree 1508-2020 (May 11, 2020)  Ministerial Resolution 178-2020-EF (June 24, 2020)	It is intended to provide liquidity to banks, financial entities and credit agencies.	S/ 7,000 million

**Banco BBVA Perú**

Notes to the Separate Financial Statements  
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<b>Program / Validity</b>	<b>Legal basis</b>	<b>Brief description of the program</b>	<b>Amount of the program</b>
Repurchase agreement with rescheduling of credit portfolio	BCRP Official Letter 0021--2020 (June 7, 2020)	BCRP order the possibility that financial entities obtain an economic fund at a rate of 0.5% through repurchase agreement. Therefore, financial entities are committed to reschedule their customer's credit portfolio or the portfolio compared to other financial entities, temporarily reducing the interest rate for the duration of the operation with the BCRP.	Not specified
Guarantee programs - COVID-19  Until December 31, 2021	Law 31050 (October 8, 2020)  Ministerial Resolution 296-2020-EF (October 18, 2020)  Emergency Decree 033- 2021 (March 30, 2021)	It is intended to consumer credit portfolios, personal loans, mortgages for homes, vehicles and SME. The program guarantees credits rescheduled by financial entities. Such reschedule contemplates the decrease of the interest rate.	S/ 5,500 million
Business Support Program for Small and Micro Enterprise (SME). Until March 31, 2022	Emergency Decree 019-2021 (February 12, 2021)  Emergency Decree 091-2021 (September 30, 2021)	It is a program whose objective is to promote working capital financing to small and micro enterprises. It is managed by COFIDE.  The program term was extended, and loans will no longer be used for working capital exclusively but also for the acquisition of fixed assets.	S/ 2,000 million

**D. Approval of the separate financial statements**

The separate financial statements as of December 31, 2021 were approved by management, and will be presented for approval to Board of Directors and General Shareholder's Meeting within the terms established by Law. In management's opinion, the Board of Directors and the General Shareholder's Meeting will approve the accompanying separate financial statements without amendments. The General Shareholders' Meeting, held March 24, 2021, approved the separate financial statements as of December 31, 2020.

**2. Basis of Preparation of the Separate Financial Statements**

**A. Statement of compliance**

The separate financial statements are prepared and presented in accordance with current regulations and Peruvian GAAP applicable to financial institutions, which comprise the accounting standards and practices authorized by the SBS, in use of its powers, delegated in accordance with the provisions of the Banking Law. The aforementioned standards are contained in the Accounting Manual for Financial Institutions (hereinafter the Accounting Manual) approved by SBS Resolution 895-98, dated September 1, 1998, effective as of January 1, 2001, and complementary norms and amendments.

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In the absence of such applicable SBS regulations, the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), made official in Peru by the Peruvian Accounting Board (CNC, for its Spanish acronym), are applied.

Peruvian GAAP comprise the standards and interpretations issued or adopted by the IASB, which include IFRSs, International Accounting Standards (IAS), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), or the former Standing Interpretations Committee (SIC), adopted by the IASB and made official by the CNC for their application in Peru.

The separate financial statements, as referred to by the legal regulations in Peru, do not include the effects of consolidation of the Bank with its subsidiaries (note 9). As of December 31, 2021 and 2020, the Bank records these investments applying the equity participation method.

In accordance with GAAP in Peru applicable to companies in the Financial Institutions, the Bank prepares and presents its separate financial statements without including the effect of consolidation with those of its subsidiaries.

**B. Basis of measurement**

The separate financial statements have been prepared on a historical cost basis, except for the following:

- Derivative instruments are measured at fair value.
- financial instruments at fair value through profit or loss (FVTPL) are measured at fair value; and
- available-for-sale financial assets are measured at fair value.

**C. Functional and presentation currency**

The Bank prepares and present its separate financial statements in soles (S/), which is the currency related to the main economic environment in which the Bank operates, such currency influences the Bank's transactions and services it provides, among other factors. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

**D. Use of judgments and estimates**

In preparing these separate financial statements, management has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The accounting estimates and judgments used are reviewed on an ongoing basis. The related effects are recorded in the accounts of the separate statement of profit or loss, as of the year of review.

The most relevant estimates and judgments to prepare the separate financial statements are the following:

- Determination of the fair value of investments (note 3.C. and note 30).
- Accounted investments using the equity method (note 3.D and note 9).
- Provision for loan losses (note 3.E and note 7).
- Provision for realizable, received as payment, and repossessed assets (note 3.G).
- Provision for fringe benefits of the employees (note 3.M).

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- Useful life of property, furniture and equipment and intangible assets (note 3.F and 3.I).
- Provision for income tax (note 3.P and note 23).
- Deferred tax (note 3.P and note 24).
- Determination of the fair value of derivative instruments (note 3.B and note 30).
- Impairment of non-monetary assets (note 3.H).

### E. New accounting pronouncements

#### i. **New accounting pronouncements not yet adopted**

A number of new standards, amendments and interpretations have been issued or amended by the IASB and are effective for annual periods beginning on or after January 1, 2022.

<b>IFRSs, amendments and interpretations</b>	<b>Effective date</b>
<i>Onerous Contracts – Cost of Fulfilling a Contract</i> (Amendments to IAS 37)	Annual periods beginning on or after January 1, 2022.
<hr/>	
<i>Annual Improvements to IFRS Standards 2018-2020</i>	
Property, Plant and Equipment Amounts obtained prior to intended use (Amendments to IAS 16).	
<hr/>	
<i>Reference to the Conceptual Framework</i> (Amendments to IFRS 3)	
<i>Classification of Liabilities as Current or Non-current</i> (Amendments to IAS 1)	Annual periods beginning on or after January 1, 2023.
<i>IFRS 17 Insurance Contracts</i>	
<i>Disclosure of Accounting Policies</i> (amendments to IAS 1 and IFRS Practice Statement 2)	
<hr/>	
<i>Definition of Accounting Estimates</i> (Amendments to IAS 8)	
<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> (Amendments to IAS 12)	
<hr/>	
<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> (Amendments to IFRS 10 and IAS 28)	Available for optional adoption. Effective date deferred indefinitely.

#### ii. **Resolutions and standards issued by the CNC and the Superintendence of Securities Market (SMV) concerning the approval and adoption of IFRSs in Peru**

As of the date of the separate financial statements, the CNC through:

- Resolution No. 001-2021-EF/30 issued on November 15, 2021, made official the amendments to IFRS 16 *Leases*, IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, IAS 1 *Presentation of Financial Statements*, IAS 12 *Income Taxes*; and the complete set of IFRS 2021 that includes the Conceptual Framework for the Financial Reporting. The validity of the indicated standards is established in each one of them.

As indicated in note 2.A, the standards and amendments detailed in *i.*, *ii.* and *iii.* shall only be applicable to the Bank in the absence of applicable SBS regulations for situations not covered in the Accounting Manual. Management has not determined the effects on the preparation of its separate financial statements since those standards were not adopted by the SBS.



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**iii. Main pronouncements issued by the SBS**

In 2021, SBS published, among others, the following significant pronouncements:

<b>Regulation</b>	<b>Date</b>	<b>Brief description</b>
SBS Resolution 00049-2021	January 6, 2021	The treatment for ownership of repossessed and recovered assets, under the Regulation on the Treatment of Repossessed and Recovered Assets and its Provisions, approved by SBS Resolution 1535-2005, was extended until December 31, 2021 for entities requesting it.
Official Letter 6302-2021-SBS	February 5, 2021	The measures implemented due to the state of national emergency (declared through Supreme Decree 044-2020-PCM) include the following: <ul style="list-style-type: none"> <li>▪ Clarifications in relation to contract modifications or debt rescheduling as a result of the COVID-19 pandemic, after an assessment of the customer's ability to meet its payment obligations.</li> <li>▪ Revenue recognition criteria (accrued and earned).</li> <li>▪ Conditions for unilateral debt rescheduling.</li> <li>▪ Definition of the requirement to be up-to-date with payments or have no defaults on the rescheduling date.</li> <li>▪ Treatment of accrued and unearned interest at the rescheduling date.</li> <li>▪ Treatment of provisions in case of an upgrade of the borrower's risk rating under the official letter, among others.</li> </ul>
Official Letter 13613-2021-SBS	March 16, 2021	The measures implemented due to the state of national emergency (declared through Supreme Decree 044-2020-PCM) include the following: <ul style="list-style-type: none"> <li>▪ Conditions for unilateral debt rescheduling.</li> <li>▪ Revenue recognition criteria.</li> </ul>
SBS Resolution 0779-2021	March 16, 2021	The Regulation on the Consolidated Supervision of Financial Conglomerates and Mixed Activity, effective April 1, 2021, was modified to apply IFRS 10 <i>Consolidated Financial Statements</i> in the preparation of consolidated financial statements, where the provisions of the Regulation do not apply.
SBS Resolution 1333-2021	April 30, 2021	Clarifications on prudential and accounting matters were set out, which modified the Accounting Manual for Financial Institutions. They shall be considered by financial institutions when rescheduling loans guaranteed with the Reactiva Peru Program.
SBS Resolution 1378-2021	May 5, 2021	The Regulation on the Consolidated Supervision of Financial Conglomerates and Mixed Activity was modified, including changes in the calculation of the Group's regulatory capital, changes in the reporting formats to be submitted to the SBS, clarifications of disclosures in notes to the consolidated financial statements for the fourth quarter, among others. It is effective June 1, 2022.

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<b>Regulation</b>	<b>Date</b>	<b>Brief description</b>
Official Letter 22799-2021-SBS	May 6, 2021	The counting of days past due of loans granted through the Reactiva Peru program was stopped over the period of debt rescheduling under such program.
Official Letter 27358-2021-SBS	June 2, 2021	Until March 31, 2022, the regulatory capital shall be equal to or greater than 8% of the total risk-weighted assets and indirect loans, which corresponds to the sum of the regulatory capital requirements for market risk multiplied by 10, the regulatory capital requirements for operational risk multiplied by 10, and the credit risk-weighted assets and indirect loans.
Official Letter 27360-2021-SBS	June 2, 2021	Clarifications on the rescheduling of loans guaranteed with the Reactiva Peru program in relation to accounting treatment, provisions, calculation of regulatory capital and legal limits.
SBS Resolution 1760-2021	June 16, 2021	The Regulation on the Regulatory Capital Requirements for Credit Risk and the Accounting Manual for Financial Institutions were modified.
Official Letter 31933-2021-SBS	June 30, 2021	The deadline for the application of the suspension of the counting of days past due under Official Letter 22799-2021-SBS is June 30, 2021.
SBS Resolution 1933-2021	July 1, 2021	The rescheduled loans guaranteed by the FAE for SME program are subject to the same treatment for loans guaranteed by the FAE for SME program, and the Accounting Manual for Financial Institutions was modified.
Official Letter 32591-2021-SBS	July 5, 2021	Clarifications on the rescheduling of loans guaranteed with the FAE for SME program.
SBS Resolution 2451-2021	August 20, 2021	The minimum procedures for the management, classification, reporting and constitution of provisions for disputes are approved, and the Accounting Manual for the Companies of the Financial System is modified, which is effective as of January 1, 2022.
SBS Resolution 3718-2021	December 7, 2021	The Regulation for the Evaluation and Classification of the Debtor and the Requirement of Provisions is modified, with respect to the activation criteria of the procyclical provisions and the minimum rates of the procyclical component.
SBS Resolution 3748-2021	December 10, 2021	The Regulation on Financial Fees and Expenses was approved, and the following were modified: <ul style="list-style-type: none"> <li>a) Regulation on Consumer Behavior Management;</li> <li>b) Regulation on Credit and Debit Card; and,</li> <li>c) Regulation on Offenses and Penalties of the SBS.</li> </ul>

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<b>Regulation</b>	<b>Date</b>	<b>Brief description</b>
SBS Resolution 3791-2021	December 14, 2021	The Regulation on the Leverage Ratio applicable to Financial Institutions was approved and the Accounting Manual for Financial Institutions was modified. This resolution is effective from the quarterly report that includes the months from April to June 2022.
SBS Resolution 3921-2021	December 23, 2021	The Regulation on the Additional Regulatory Capital Requirement was modified in relation to the calculation of the additional regulatory capital requirement for market risk, considering the criteria of size, interconnection, substitutability and complexity in order to adapt it to international standards and obtain a more risk-sensitive approach.
SBS Resolution 3922-2021	December 23, 2021	The Regulation on Borrower Risk Assessment and Credit Rating, and Provision Requirements (SBS Resolution 11356-2008), effective December 2021, was modified in relation to loans recognized as rescheduled loans due to the public health emergency.  Accrued interest not collected as of the rescheduling date, recognized as revenue, that is capitalized as a result of the rescheduling, must be repaid and recorded as deferred revenue, being recorded as revenue based on the new term of the loan and as installments are settled.

**iv. Other pronouncements impacting financial institutions**

In 2021, SBS published, among others, the following significant pronouncements:

<b>Regulation</b>	<b>Date</b>	<b>Brief description</b>
Law 31143 - Law on rate limits in financial system operations	March 18, 2021	This Law regulates the limits of interest rates for certain loans and other provisions.  The main measures include the following: <ul style="list-style-type: none"><li>▪ The BCRP will have the power to set maximum and minimum interest rates on a semi-annual basis, a power that it may not delegate.</li><li>▪ The BCRP shall set the maximum borrowing rates for consumer loans, small consumer loans (equal to or less than S/ 8,800) and small and micro-business loans.</li><li>▪ The fees shall be approved by the SBS and will include the rendering of a service based on actual and demonstrable costs. Contracts, summary sheets, expenses and fees must also have the approval of the SBS.</li><li>▪ Elimination of certain fees.</li></ul>

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<b>Regulation</b>	<b>Date</b>	<b>Brief description</b>
Official Letters 008-2021-BCRP and 010-2021- BCRP	As of April 28, 2021 and May 07, 2021	The BCRP establishes a method for calculating interest rate caps for consumer and small and micro-business loans, as well as the frequency.
Emergency Decree 037-2021	April 14, 2021	<p>It exceptionally establishes, until March 31, 2022, that Banks, Finance Institutions, Municipal Savings and Credit Institutions, Municipal Popular Credit Institutions, EDPYMES and Rural Savings and Credit Institutions are temporarily subject to the following prudential rules :</p> <p>a. The effective equity must be equal to or greater than 8% (previously 10%) of the total risk-weighted assets and contingents.</p> <p>b. The following are grounds for intervention: i) When the effective equity is less than 25% (previously it was 50%) of that required in the preceding paragraph; ii) Loss or reduction of more than 80% (previously 50%) of regulatory capital in the last 12 months.</p> <p>c. The loss or reduction of more than 60% (previously 40%) of the regulatory capital is cause for submission to the surveillance regime.</p> <p>d. The computation limits of the Regulatory Capital stipulated in article 185 of Law 26702 are suspended, which are detailed below:</p> <ul style="list-style-type: none"><li>▪ The supplementary capital may not exceed the basic capital.</li><li>▪ The redeemable subordinated debt of tier 2 capital may not exceed fifty percent (50%) of the amount corresponding to the components of the basic capital considered in numerals 1, 2, 3, 4 and 5 of literal A of article 184.</li><li>▪ Tier 3 capital may not exceed two hundred and fifty percent (250%) of the amount corresponding to the components of the basic capital considered in numerals 1, 2, 3, 4 and 5 of literal A of article 184 assigned to cover risk market.</li></ul>

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**F. Reclassifications**

Certain items in the separate financial statements as of December 31, 2020 have been reclassified for comparative purposes. In management's opinion, such reclassifications do not require any changes in the decisions made. The amounts reclassified and accounts affected are the following:

Separate Statement of Financial Position as of December 31, 2020.

For comparative purposes, the following reclassification has been made in the Available note:

<i>In thousands of soles</i>	<b>Amounts not reclassified</b>	<b>Reclassifications</b>	<b>Balances with reclassifications</b>
<b>Cash and cash equivalents</b>			
Banco Central de Reserva del Perú	15,404,584	(96,382)	15,308,202
Other guarantee funds	294,346	96,382	390,728

**3. Significant Accounting Policies**

The significant accounting principles and practices used in the preparation of the Bank's separate financial states, have been applied uniformly with those of the previous period, except for the set of exceptional and preventive measures taken by the Peruvian Government to face the economic crisis generated due to the national state of emergency and the mandatory social isolation due to the COVID-19 outbreak, mentioned in the note 2.E.iii.

**A. Financial instruments**

**Recognition of financial instruments**

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability, or equity instrument in another.

Financial instruments are recognized on the date when they are originated (trade date) and classified as assets, liabilities, or equity according to the contract that gave rise to the financial instrument. Interest, dividends, gains and losses generated by a financial instrument classified as an asset or liability are recorded as income or expenses in the separate statement of profit or loss. Payments to holders of financial instruments are directly recorded in equity.

Gains from the transfer of loan portfolio are recognized as revenue; however, in the case of transfers through swap, or financed, such gains are recognized as deferred revenue, which is accrued based on the monetary income obtained of the realization of the goods received in exchange, or in proportion to the perception of the payment of the acquirer of the transferred loan portfolio. Losses from transfer of loan portfolio is recognized by transferring.

**Classification financial instruments**

The Bank classifies its financial instruments on initial recognition and on an instrument-by-instrument basis, in the following categories, according with the Accounting Manual: at fair value through profit or loss, credits and accounts receivable, available-for-sale, held-to-maturity, at amortized cost, and other liabilities.

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The classification of financial instruments on initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. At initial recognition, a financial instrument is measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instrument, except for financial assets or financial liabilities measured at fair value through profit or loss.

***Derecognition of financial assets and financial liabilities***

The Bank recognizes derecognition of a financial asset when: (i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) transfers the contractual rights to receive the cash flows from the financial asset, or assumes a contractual obligation to pay the cash flows to a third party in a pass through arrangement; and (iii) transfers substantially all risks and rewards of ownership of the financial asset to other entity.

The Bank recognizes derecognition of a financial liability when its contractual obligations are discharged or canceled or expire. An exchange between an existing borrower and lender of financial liabilities with substantially different terms is recognized as a derecognition of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is recognized as a derecognition of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of a financial liability derecognized and the consideration paid is recognized in the separate statement of financial position.

***Impairment of financial assets***

Impairment of financial assets and the corresponding provisions for impairment are assessed and recorded by the Bank in accordance with SBS standards. A financial asset or group of financial assets is impaired if there is objective evidence of impairment as a result of 1 or more events that occurred subsequent to the initial recognition of the asset (loss event), and if such loss event had an impact on the expected future cash flows of the financial asset or group of financial assets that can be estimated reliably. Any impairment loss is recognized in the separate statement of profit or loss.

***Offsetting financial instruments***

Financial instruments are offset when the Bank has a legally enforceable right to set them off, and management intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

**B. Derivative instruments**

Derivative instruments are recorded at trade date according with SBS Resolution 1737-2006 "Regulation on Trading and Accounting of Derivative Products in Financial System" and amendments.

***Held-for-trading instruments***

Held-for-trading instruments are initially recognized in the separate statement of financial position at fair value. Subsequently, any change in fair value of such derivative generates an asset or liability in the separate statement of financial position, as applicable, and affects the profit or loss for the year.

*Forward operations, swaps operations and options are recorded at their estimated market price, recognizing an asset or liability in the separate statement of financial position, and gains and losses due to valuation or settlement in the separate statement of the year. The face value of derivative instruments is recorded in the agreed-upon currency in suspense accounts.*

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***Hedge derivative instruments***

A hedge derivative instrument is recorded as such if, on trade date, it is foreseen that changes in fair value or cash flows will be highly effective in offsetting changes in hedge, which shall be documented on the trade date of the derivative instrument and during the term of the hedging relationship. A hedge is considered highly effective if changes in the fair value or cash flows of the hedged item and hedging instrument are within a range of 80-125%, according with SBS Resolution 1737-2006 and its amendments.

If the SBS determines the documentation to be insufficient or identifies some weaknesses in the methods used by the Bank, it can require the Bank to eliminate the hedge accounting and recognize derivative instruments as held-for-trading instruments.

***i. Fair value hedge***

Changes in the fair value of the hedge derivative instrument and hedge is recognized in the separate statement of profit or loss, from the moment the hedge is designated and, provided it is effective.

Changes in fair value of hedge (gain and losses due to valuation) are recorded as 'accounts receivable' or 'accounts payable,' as appropriate, in the separate statement of financial position.

***ii. Cash flow hedges***

Cash flow hedges are measured at fair value and may affect 'equity' and 'profit or loss.' The portion of the adjustment to its fair value is recognized in 'equity' of the separate statement of profit or loss and other comprehensive income. The ineffective portion of the gain or loss on the hedging instrument is recognized in profit or loss.

For both types of hedging, if the derivative expires, is sold, terminates or is executed, or no longer meets the criteria for hedge accounting, the hedging relationship ends prospectively and the balances recorded in the separate statement of financial position and in the separate statement of profit or loss and other comprehensive income, as appropriate, are transferred to the separate statement of profit or loss within the effective term of the hedged item.

**C. Investments**

The Bank applies the recognition and measurement criteria to investments in instruments, in accordance with SBS Resolution 7033-2012 "Regulation on Classification and Measurement of Investments of Financial Institutions" and amendments, as follows:

***i. Investments at fair value through profit or loss***

Equity and debt securities are classified as investments at fair value through profit or loss if they have been mainly acquired for trading purposes in the near future, or are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking or have been designated in this category since their initial registration.

On initial recognition, these investments are measured at fair value less transaction costs, which are included as expenses in profit or loss for the period. Subsequently, they are measured at their fair value and the gain or loss from the recovery or sale of these financial assets is recorded in the profit or loss of the year.

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Interest income is recognized using the effective interest method. Dividends are recognized in the separate statement of profit or loss when the right to receive the payment has been established.

Investments at fair value through profit or loss that are pledged as collaterals shall be reclassified as available-for-sale investments. Once these transactions are concluded, investments shall be reclassified at their initial category, transferring the unrealized gains and losses from equity to the separate statement of profit or loss.

**ii. Held-to-maturity investments**

This category includes debt instruments whose collections are of a fixed or determinable amount and whose maturities are fixed, and which also meet the following requirements:

i) they have been acquired or reclassified with the intention to hold them to maturity; ii) the Bank shall have the financial capacity to hold them to maturity; and iii) they are instruments other than those designated by the Bank at initial recognition as at fair value through profit or loss or as available-for-sale assets.

Likewise, they should be rated by at least two local or foreign risk rating agencies, and the ratings should be within the parameters established by the SBS. These requirements do not apply to instruments of Central Banks from countries whose sovereign debt obtains as a minimum the rating corresponding to the Peruvian sovereign debt.

These financial assets are initially recorded at fair value, including the transaction costs that are directly attributable to the acquisition.

These investments are subsequently measured at amortized cost using the effective interest rate method. Any impairment loss is recognized in the separate statement of profit or loss.

**iii. Available-for-sale investments**

It includes all investments in instruments not classified as investments at fair value through profit or loss, or held-to-maturity investments or investments in subsidiaries and associates and interests in joint ventures. Likewise, all instruments shall be included in this category as required by the SBS.

These investments are initially recorded at fair value, including the transaction costs that are directly attributable to the acquisition. The subsequent measurement of these investments is made at fair value; in the case of capital instruments that do not have quoted prices in active markets and whose fair value cannot be estimated reliably, they shall be measured at cost. In addition, in the case of debt instruments, prior to the measurement at fair value, their amortized cost must be updated on an accounting basis, and from this point, any gain or loss from changes in the fair value shall be recognized.

Any gain or loss arising from changes in fair value of available-for-sale investments is directly recognized in equity until the instrument is sold or realized, when any gain or loss that could have been previously recognized will be transferred and recorded in the statement of profit or loss, except for impairment losses which are recorded in profit or loss when they occur.



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If an available-for-sale investment is impaired, the accumulated loss (difference between the acquisition cost, net of any repayment and amortization, and the current fair value, less any impairment previously recognized in the separate statement of profit or loss) is removed from equity and recognized in the separate statement of profit or loss. Impairment of unlisted securities shall be the difference between the carrying amount and the present value of net expected future cash flows, discounted using current market rates for similar instruments.

Exchange gains or losses from equity instruments are recognized in 'unrealized gains and losses,' and those related to debt instruments are recognized in profit or loss.

Interest revenue from available-for-sale investments is recognized using the effective interest method, calculated over the useful life of the instrument. Premiums and discounts originated on the acquisition date are included in the calculation of effective interest rates.

Dividends are recognized in the separate statement of profit or loss when the right to receive the payment has been established.

**D. Investments in Subsidiaries and Associates**

This caption comprises equity instruments acquired to have interests in and joint control or significant influence over other subsidiaries or associates.

At initial recognition, they are measured at fair value, including transactions costs that are directly attributable to the acquisition, and subsequently are measured at investments using the equity method.

The excess between the consideration paid and the fair value of the identifiable assets acquired, and the liabilities assumed on the acquisition date is recognized as goodwill. This goodwill is included in the carrying amount of the investment, and is evaluated for impairment as part of the investment (note 3J). In case the fair value of investment exceeds the consideration paid, this amount is recognized as profit in the separate statement of profit or loss of the year.

The Bank determined that the fair value of investments equivalent to the carrying amount of the invested at acquisition date, since they do not have significant non-monetary assets, or they have non-monetary assets recorded at their updated fair value.

When management identifies that one or more investments in subsidiaries and associates are impaired, said impairment shall correspond to the difference between the carrying amount and the recoverable amount of the investment, in accordance with IAS 36 *Impairment of Assets*. The carrying amount of the investment shall be reduced to its recoverable amount. Impairment loss shall be recognized in the separate statement of profit or loss for the year.

**E. Loans and provisions for loan losses**

Direct loans are recorded when fund expenditures are made in favor of customers. Indirect loans are recorded when the documents supporting such credit facilities are issued.

Finance leases are recognized using the effective interest method, and the amount of the installments receivable is recognized as a loan. Financial income is recorded on an accrual basis in accordance with the lease arrangement terms. Initial direct costs are immediately recognized as expenses.

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**i. Types of loans**

In accordance with SBS Resolution 11356-2008, loans are classified as: i) corporate loans; ii) large-business loans; iii) medium-business loans; iv) small-business loans; v) micro-business loans; vi) revolving loans; vii) non-revolving loans; and viii) mortgage loans. This classification considers nature of customer, purpose of loan, business size measured per revenue, debt, among others.

**ii. Accounting situation of loans**

According with the Accounting Manual, direct loans present the following classification according to their situation:

**Current loans**

They are loans granted in its different modalities, whose payments are up-to-date, in accordance with the agreement.

**Restructured loans**

They are loans or direct funding, regardless of its modalities, subject to the rescheduling of payments approved in the restructuring process, ordinary or preventive bankruptcy, as the case may be, in accordance with the Banking Law of the Bankruptcy System approved by Law 27809.

**Refinanced loans**

They are loans, in their different modalities, in which there are variations in the term and/or amount of the original agreement that are due to difficulties of the debtor's ability to meet its obligations.

**Past-due loans**

They are loans that have not been settled or amortized by the borrowers on the due date. They include loans originated by the amounts disbursed by the Bank in the event of the customer's default, for operations whose payment has been guaranteed by the Bank and/or by letters of credits issued and confirmed assumed by the Bank.

The terms for a loan to change from current status to past due are presented below:

<b>Type of loans / Product</b>	<b>Days past due</b>
Sovereign loans, to multilateral development banks, public entities, securities intermediaries, financial entities, corporations, large companies and medium-sized companies.	After 15 calendar days of the expiration of any of the agreed installments.
Small-business and micro-business loans	After 30 calendar days of the expiration of any of the agreed installments.
Consumer (revolving and non-revolving) loans and mortgage loans. Finance lease and real state capitalization agreement, regardless of the type of the loan.	<b>Graduated tax</b> After 30 calendar days of not having paid on the agreed date, only the unpaid portion will be considered past due; while after 90 calendar days of default in any of the agreed installments, the entire debt will be considered past due.

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<b>Type of loans / Product</b>	<b>Days past due</b>
Overdrafts in checking accounts, regardless of the amount and type of the loan.	As of the 31 calendar day the overdraft was granted.

**Lawsuit loans**

They are loans for which the Bank has initiated legal collection actions. The demand for legal collection, unless there are technical and legal reasons, begins within a period of 90 calendar days of having recorded the loan as past due.

**iii. Measurements in the COVID-19 context**

As a result of COVID-19 and the national state of emergency and mandatory social isolation (note 1.B), the SBS adopted a series of exception measures with accounting impact, which, in terms of credit, are detailed below:

**Reschedule loans for National State of Emergency**

They are those credits in which, after evaluation, their contractual conditions have been modified, without going through a refinance, to the extent that the total term of the aforementioned loans does not extend for more than 6 or 12 months of the original term, depending on the type of loan, and that the debtors are up to date with their payments as of the date of the state of emergency. The balance of equity and interests of the rescheduling are controlled in memorandum accounts.

The types of rescheduling are:

- **Massive rescheduling**  
Massive rescheduling of loans, with or without the approval of the customer and without credit risk assessment, have the following requirements:
  - (i) The customer shall record 15 days past due as maximum as of February 29, 2020 or as of March 15, 2020.
  - (ii) The maximum date to request the first rescheduling is May 30, 2020 for credits to large companies and corporate credits, and June 30, 2020 for retail credits to medium-sized companies.
  - (iii) The maximum date for rescheduling is 6 months for loans to large companies and corporate loans, and 12 months for retail loans and medium-sized companies.
- **Individual rescheduling**  
In individual rescheduling, there must be a credit risk assessment and have the customer's approval. The maximum rescheduling period of 6 and 12 months for massive rescheduling does not apply and could be extended to longer periods. Likewise, the customer shall not have more than 30 days past due at rescheduling date.
- For both rescheduling types, as of July 1, 2020, revolving loans for credit cards shall be rescheduled only for the entire debt or the total payment for the month in a new payment schedule.

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- A financial institution may recognize on an accrual basis interest on retail loans that are subject to rescheduling. If such retail loans change the accounting treatment to default after the payment obligation according with the new schedule is resumed, the entity shall reverse the accrued and unpaid interest, having 6 months to carry out such reverse proportionally.
- Interest on rescheduled wholesale loans under massive rescheduling, the accounting record of the interests associated with such placements must be carried out according to the criteria of what is received. For rescheduling process carried out as an individual credit risk assessment, accrual basis may be applied.
- In 2021, Official Letters 6302-2021-SBS and 13613-2021-SBS were issued, whose provisions in force to date are:
  - As of March 16, 2021, unilateral modifications of loan operations may be made, when the client has made the payment of at least one full installment, including capital, in the last 6 months; The modified payment schedule cannot be extended for more than 3 months in total, considering the client's last payment schedule. Likewise, the accounting treatment of interest associated with the rescheduled loans operations from the date, unilaterally, must be carried out by the criteria of what is received.
  - As of March 16, 2021, unilateral modifications of loan operations may be made without the client having made the payment of at least one full installment, including capital, in the last 6 months; The modified payment schedule may be extended for a maximum of 3 months in total, considering the client's last payment schedule. For the credits of the debtors with Normal and With Potential Problems (CPP) classification rescheduled under these conditions, the companies must establish additional voluntary provisions, equivalent to the Deficient risk classification. Likewise, the accounting record of the interests associated with the credit operations rescheduled unilaterally as of the date, must be carried out by the criteria of what is received.
- On December 23, 2021, SBS Resolution 3922-2021 was issued, which go into effect in December 2021, in which the Regulations for Evaluation and Classification of Debtors and Requirement of Provisions are modified by SBS Resolution 11356-2008, regarding credits accounted for as rescheduled loans - National State of Emergency, providing mainly the following:
  - The provisions on specific provisions for rescheduled loans - National State of Emergency will be applicable to consumer loans, micro-businesses, small businesses, and medium-sized businesses.
  - Requirement of specific provisions:

<b>Debtor Classification/Accounting Status</b>	<b>Conditions</b>	<b>Specific provision to constitute according to risk ratings</b>
Standard	Rescheduled loans of debtors with Normal classification.	CPP (on balance)
Normal / CPP	They have not made the payment of at least one full installment that includes capital in the last six months at the closing of the accounting information.	Deficient (on balance)

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<b>Debtor Classification/Accounting Status</b>	<b>Conditions</b>	<b>Specific provision to constitute according to risk ratings</b>
Normal / CPP / Deficient	They have not made the payment of at least one full installment that includes capital in the last twelve months.	Doubtful (on balance)
Current loans	Rescheduled loans in current situation.	Deficient (on accrued interest)
	Reschedule loans in a current situation and that have not made the payment of at least one full installment that includes capital in the last six months at the closing of the accounting information.	Loss (on accrued interest)

- Companies may not, in any case, generate profits or generate better results from the reversal of provisions, and must reallocate them for the creation of mandatory specific provisions.
- Accrued interest not collected as of the rescheduling date, recognized as revenue, that is capitalized as a result of the rescheduling, must be repaid and recorded as deferred revenue, being recorded as revenue based on the new term of the loan and as installments are settled.

**Suspension of days in arrears**

If there are debtors with more than 15 days past due as of February 29, 2020, financial entities shall be able to suspend the counting of days in arrears and maintain the same financial situation until August 31, 2020. In addition, the days in arrears suspended shall be considered for the credit rating classification process and calculation of the provision for loans while they remain suspended.

**iv. Credit risk ratings**

The borrower's credit rating established by the SBS is the following: Standard, With Potential Problems (WPP), Substandard, Doubtful and Loss, which are designated according to the credit history of the borrower.

For wholesale loan portfolio (corporate loans, large-business loans and medium-business loans), the rating is based on the borrower's ability to meet its debt obligation, cash flows, level of compliance with obligations, rating designated by other financial institutions, financial position, and management quality. For retail loan portfolio (small-business loans, micro-business loans, revolving and non-revolving loans, and mortgage loans), the rating is based on the borrower's level of compliance with obligations, reflected in the defaults and delays, and rating designated by other financial institutions. Additionally, the Bank assesses the exposure to exchange rate risk of the loan portfolio in foreign currency, according to the SBS Resolution 041-2005 and amendments.

**v. Provision for loan**

The provision for loan losses is measured in accordance with the criteria established in SBS Resolution 11356-2008 "Regulation on Borrower Risk Assessment and Credit Rating, and Provision Requirements."

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According to current regulations, the Bank considers 2 types of provisions for loan portfolio: general and specific provisions. The general provision is recorded in a preventive manner for direct and indirect loans rated as "standard" and additionally for the procyclical component when the SBS orders its application. The general provision also includes voluntary provisions.

Voluntary provision is determined considering the following: the economic situation of the debtors that make up the high-risk loan portfolio (overdue loans, in judicial collection, rescheduled, refinanced and restructured), previous experience and other factors that, at the management's discretion, require to current recognition of possible losses in the loan portfolio. The amount of voluntary provisions is reported periodically to the SBS.

The specific provision is recorded for direct loans and exposure to credit risk of borrower's indirect loans rated in a credit rating higher than "standard."

The credit risk equivalent of indirect loans is determined by multiplying the indirect loans by the different types of Credit Conversion Factor (CCF) described as follows:

	<b>Description</b>	<b>CCF (%)</b>
(a)	Confirmations of irrevocable letters of credit up to one year, when the issuing bank is a tier 1 foreign financial institution.	20
(b)	Collaterals, import letters of credit, and letters of guarantee, and confirmations of letters of credit not included in a), as well as banker's acceptance.	100
(c)	Letters of guarantee not included in b)	50
(d)	Undisbursed loans granted and unused credit lines.	0
(e)	Other indirect loans not included in the prior paragraphs.	100

Provision requirements are determined considering the borrower's credit rating, whether the loan is secured by collateral, and type of collateral.

The percentages applied to determine the provision for the loan portfolio are the following:

<b>Credit risk ratings</b>	<b>No collateral</b>	<b>Preferred collateral</b>	<b>Preferred easily realizable collateral</b>	<b>Self-liquidating preferred collateral</b>
<b>Standard</b>				
Corporate loans	0.70%	0.70%	0.70%	0.70%
Large-business loans	0.70%	0.70%	0.70%	0.70%
Medium-business loans	1.00%	1.00%	1.00%	1.00%
Small-business loans	1.00%	1.00%	1.00%	1.00%
Micro-business loans	1.00%	1.00%	1.00%	1.00%
Revolving loans	1.00%	1.00%	1.00%	1.00%
Non-revolving loans	1.00%	1.00%	1.00%	1.00%
Mortgage loans	0.70%	0.70%	0.70%	0.70%
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%

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As of December 31, 2021 and 2020, the procyclical component for the provision for loan portfolio is deactivated, according to SBS Official Letter B-2224-2014. Through SBS Resolution 3718-2021 that modified the Regulation for the Evaluation and Classification of the Debtor and the Requirement of Provisions, modifications were made to the criteria for the activation of procyclical provisions, establishing that it can be activated as of December 31, 2023. The minimum rates of the procyclical component are presented as follows:

Type of loan	Procyclical component
Corporate loans	0.10%
Large-business loans	0.40%
Medium-business loans	0.60%
Small-business loans	1.00%
Micro-business loans	1.00%
Revolving loans	1.50%
Non-revolving loans	1.00%
Mortgage loans	0.40%

Procyclical component of all other types of loans with self-liquidating preferred collaterals is 0% for the portion hedged by such collaterals. For non-revolving consumer loans that have contracts referring to payroll or pension deduction agreements, and as long as they are eligible, the procyclical component will be 0.25%.

A provision for direct loan losses is recorded deducting the balance of the relevant asset (note 7). A provision for indirect loan losses is recorded in 'liabilities' (note 14).

The SBS exceptionally established a zero percent provision rate for credit risk to the part of the loans covered by the guarantee of the Reactiva Peru and FAE for SME program (note 1.C).

**F. Property, furniture and equipment**

Property, furniture and equipment is recorded at historical cost, which includes disbursements attributable to acquisition, and is presented net of accumulated depreciation and accumulated impairment losses. Annual depreciation is recognized as expense and is determined using the standard cost, under the straight-line method based on the estimated useful life of property, furniture and equipment, using depreciation rates.

	Years
Buildings and premises	33 & 10
Installations and improvements to rental property	10
Property, furniture and equipment	10 and 4
Vehicles	5

Disbursements incurred after a component of property, furniture and equipment has been put into use are capitalized only when they can be measured reliably, and it is probable that such disbursements will result in future economic benefits in excess of the normal performance originally assessed for said asset.

Repair and maintenance expenditures are recognized as expenses in the period in which they are incurred. When an item of property, furniture and equipment is sold or disposed, its cost and accumulated depreciation are deleted, and profit or loss resulting from its sale is recognized in the separate statement of profit or loss.

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The Bank is not permitted to apply the revaluation model. It is only permitted to apply the cost model. Likewise, the Banks are prohibited from giving as collateral their property, furniture and equipment, except those acquired in finance leases.

**G. Realizable, received in payment and repossessed assets**

Assets received as payment and repossessed by the Bank as payment of debts are recorded at judicial or extrajudicial value or at value agreed upon in the payment. At initial recognition, recovered assets as a result of the agreement termination, if any, are measured at the lower of the outstanding debt value and the net realizable value. If the outstanding debt value is higher than the value of the recovered asset, the difference is recognized as a loss, provided that its recovery is remote.

Likewise, in accordance with Resolution 1535-2005 "Regulation on the Accounting Treatment of Repossessed and Recovered Assets and Provisions" and amendments, the Bank records provisions as follows:

- For assets received, a provision for 20% of the value on the award or recovery date.
- For fixed assets, a monthly provision within a period of not more than 42 months for the net value obtained during the 12th or the 18th month of award or recovery, depending on whether an extension is granted by the SBS and until 100% of the asset's carrying amount is completed. The net carrying amount of fixed assets is compared with the net realizable value determined by an independent appraiser. The Bank recognizes a provision for impairment loss if the carrying amount exceeds the net realizable value.
- For assets other than fixed assets, a provision for the remaining balance within a period of not more than 12 or 18 months, depending on whether an extension is granted by the SBS.

An impairment loss is recognized when the net realizable value is lower than net carrying amount; accordingly, the carrying amount shall be reduced and the loss shall be recognized in the separate statement of profit or loss. If the net realizable value is higher than the net carrying amount, the higher value shall not be recognized.

**H. Impairment of non-financial assets**

When events or circumstances indicate that the carrying amount of a long-lived asset may not be recoverable, management reviews the carrying amount of the asset at separate statement of financial statement. If after the impairment test, the carrying amount exceeds its recoverable amount, an impairment loss is recognized in the separate statement of profit or loss. The recoverable amount is estimated for each asset.

**I. Intangible assets**

Intangible assets with finite useful life are recognized at acquisition cost and are presented net of accumulated amortization and any impairment loss. Amortization is recognized as expense. It is determined under the straight-line method based on the estimated useful life of assets. The assets' estimated useful life is between 1 and 5 years.

Costs associated with maintenance of software are recognized as expenses when incurred. The development expenses and unique and identifiable software, which are likely to generate economic benefits, are recognized as intangible assets.



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**J. Goodwill**

Goodwill resulting from the acquisition of a subsidiary or associate corresponds to the excess of the consideration paid over the net fair value of the identifiable assets, liabilities and contingent liabilities of the investee, on the acquisition date. At the beginning, goodwill is recognized as an asset at cost, and, subsequently, presented at cost less any accumulated impairment loss, if any.

For impairment test, assets are grouped into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGU). Goodwill is assigned to each CGU of the Bank that is expected to benefit from the synergies of the combination. A CGU, to which the acquired goodwill has been distributed, is tested for impairment on an annual basis, or more frequently when there are indications that the unit may have deteriorated. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is distributed first by reducing the carrying amount of any goodwill distributed to the CGU, and then to the other assets of the CGU, prorated based on the carrying amount of each of the assets of the unit. Any impairment loss of goodwill is recognized in profit or loss of the period in which it is generated. An impairment loss recognized in goodwill is not reversed in subsequent periods.

**K. Non-current assets held for sale**

Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell and are recorded in 'other assets' of the separate financial statement. Non-current assets are classified as held for sale when their disposal is highly probable, and are promptly available for sale. Therefore, management must be committed to sale and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

**L. Debts and financial obligations**

Loans and borrowings are financial liabilities measured at amortized cost using the effective interest method. Amortized cost is calculated taking into consideration any discounts or premiums on issuance. Costs are an integral part of the effective interest rate and are amortized during the validity term of the liabilities. Accrued interest are recognized in the separate statement of profit or loss.

Outstanding loans and borrowings are classifying as financial liabilities at fair value through profit or loss when are held for trading or, when at initial recognition have been to be accounted at fair value through profit or loss.

A financial liability classifies as held-for trading if:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- it is part of a portfolio of identified financial instruments, which are managed together, and for which there is evidence of a recent pattern of obtaining short-term profits; or
- it is a derivative that is not a financial guarantee contract, nor has it been designated as a hedging instrument, and it meets the conditions to be effective.

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A financial liability different to those held-for-trading is classified as at fair value through profit or loss if:

- this eliminates or significantly reduces any inconsistency in valuation or recognition;
- it is part of a group of financial assets, financial liabilities or both, which are managed and evaluated according to the fair value criteria, in accordance with a documented investment or risk management strategy of the Bank, and whose information is provided by internal way on that basis; or
- it is part of an agreement containing one or more embedded derivatives, and IAS 39 allows the entire hybrid (combined) agreement to be designated as a financial asset or a financial liability at fair value through profit or loss.

financial liabilities at fair value through profit or loss are recorded at fair value. Gains and losses from changes in the fair value of these liabilities are recognized in 'operating profit' in the separate statement of profit or loss.

**M. Employee benefits**

**i. Short-term employee benefits**

**Holidays and other benefits**

Personnel's annual holidays, paid leaves, and other employee benefits are recognized on an accrual basis, considering their probability of occurrence. The provision for estimated liabilities corresponding to personnel's annual holidays, resulting from the service rendered by an employee, is recorded on the date of the separate statement of financial position.

**Severance payment**

The provision for severance payment is measured, according to current regulations, on the total employees' reimbursement rights, according to current regulations. Payments are deposited in the Bank since it is the financial institution chosen by the employee.

**ii. Long-term benefits**

It comprises post-employment benefits granted to the Bank's active or retired employee, mainly related to seniority awards and medical benefits. Such benefits are recorded based on an actuarial valuation method determined independently, considering future wages levels in accordance with the market expectations, and the average historical cost of medical expenses and other benefits adjusted for inflation, as well as their probability of occurrence. These future cash flows are discounted considering a market interest rate that corresponds to the issuance of bonds with high credit rating.

**Employees' profit sharing**

The Bank recognizes a liability and an expense for employees' profit sharing equivalent to 5% of tax base determined in accordance with current tax laws.

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**N. Share-based payments**

A group of employees of the Bank is subject to the European Parliament Directive 2013/36/UE in which limits are established on variable remuneration in relation to fixed remuneration. This system of settlement and payment of annual variable remuneration (hereinafter the system) corresponds to those employees who have a significant impact on the Bank's risk profile or exercise control functions and are subject to the following rules:

- Regarding the total annual variable remuneration, 60% is paid the year following the one corresponding to remuneration, during the first quarter of the year; being that 50% is paid in cash and the other 50% in shares of the Parent Company at the market price of the settlement day. The shares go through a restricted period, which does not allow them to be sold until 12 months after their acquisition.
- The outstanding balance of variable remuneration is deferred to 4 years, 50% is paid in cash and the other 50% in shares. All these payments are released in quarters for each year until their completion, the shares go through a restriction period, which does not allow them to be sold until 12 months after their acquisition.
- Likewise, assumptions are established that may limit or prevent in certain cases the delivery of deferred variable remuneration, such as compliance with multi-year indicators that may reduce the compensation to be received.
- The delivered shares will not be available for at least one year, except for the necessary portion to be used for the payment of applicable taxes.

The settlement of the variable remuneration is carried out in the first months of the following year. As of December 31, 2021 and 2020, management's estimation of the deferred variable remuneration mounts to S/ 11 million and S/ 14 million, respectively.

**O. Provision, contingent liabilities and contingent assets**

**i. Provisions**

A provision is recognized when the Bank has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources to settle the obligation shall be required, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed on an ongoing basis and adjusted to reflect the best estimates as of the date of the separate statement of financial position. Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenses expected to be required to settle the obligation.

**ii. Contingent assets and contingent liabilities**

Contingent assets are not recognized in the separate financial statements. They are only disclosed when an inflow of economic resources is probable.

Contingent liabilities are not recognized in the separate financial statements. They are disclosed in the notes to the separate financial statements unless the possibility of an outflow of economic resources is remote.

**P. Income tax**

Income tax, either current and deferred, is recognized as 'income and expense', and is included in the separate statement of profit or loss, except if such amounts are related to items recognized in 'equity,' in which case, current or deferred income tax is also recognized in 'equity.'

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According to current tax legislation, current income tax is determined by applying the tax rate for the year and is recognized as an expense.

The deferred tax liabilities is recognized for all taxable temporary differences that arise when comparing the carrying amount of assets and liabilities and their tax base, without considering that the temporary differences estimated at the beginning will be reversed. The deferred tax asset is recognized for all taxable temporary differences that arise when comparing the carrying amount of assets and liabilities and their tax base, to the extent that it is probable that, in the future, the Bank will have sufficient income tax against which it can apply the temporary differences that revert. Deferred tax liability and asset are measured at the income tax rate, which is expected to be applied to tax of the year in which this liability is settled or the asset is realized, using the income tax rate enacted or substantially effective as of the separate statement of financial position.

**Q. Revenue and expense recognition**

Interest revenue and expense and service fees are recognized in profit or loss for the period on an accrual basis, depending on the term of the generating transactions.

Accrued interest from past due, refinanced, restructured and under legal collection loans, as well as loans rated as "doubtful" or "loss", which is recognized in the separate statement of profit or loss when are collected effectively. If it is determined that the borrower's financial position has improved so that uncertainty on payment of principal does no longer exists, interest is recorded on an accrual basis again.

Other income and expenses are recorded in the period in which they are accrued.

**R. Basic and diluted earnings per share**

Basic earnings per ordinary share are calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted-average number of outstanding ordinary shares during the year. Since the Bank does not have dilutive financial instruments, earnings per ordinary and diluted share are the same.

**S. Repurchase agreements**

The Bank applies SBS Resolution 5790-2014, which establishes that securities sold under repurchase agreements on a specific future date, are not derecognized from the separate statement of financial position since the Bank retains substantially all risks and rewards of ownership of the asset.

The Bank recognizes the cash received and a liability recorded in 'accounts payable' to refund such cash at maturity. Also, it will make the reclassification of securities subject to the transaction in accordance with SBS regulations. Accounting records of returns will depend on the agreements between the parties. The difference between the final amount and the initial amount shall be recognized as expense against a liability within the transaction term using the effective interest method.

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***Credit portfolio reporting operations guaranteed by the Government represented in securities***

These operations are agreed within the framework of the Reactiva Peru Program. BCRP conducts operations through auctions or direct operations. Market participants sell to the BCRP the securities representative of credits guaranteed by the Government. They receive local currency (amount of the sale) and are obliged to repurchase said securities subsequently, against the payment of local currency (amount of the repurchase). Securities could be:

- Portfolio of securities representative of credits (regular form)
- Certificates of participation in real estate trusts (special form)

The market participant shall monthly pay interest. The operation includes a grace period of 12 months without paying interest, which are prorated over the life of the operation. The market participant is forced to repurchase loans guaranteed by the Government guarantee program each time there is a reduction in their value, or on the resulting date in case of early maturity. In the event of breaches, BCRP shall maintain definitively loans with the Government guarantee program.

As of December 31, 2021 and 2020, the Bank carry out currencies, securities and credit portfolio reporting operations guaranteed by the Government represented in securities, loan portfolio (note 5, 6, 7 and 14).

**T. Separate statement of profit or loss and other comprehensive income, and changes in equity**

Unrealized profit or loss of the measurement of available-for-sale investment, modifications of the hypothesis related with actuarial liabilities and measurement of cash flow hedges is recognized in the separate statement of profit or loss and other comprehensive income. Deferred tax related with these items are detailed in the corresponding note (note 3.P).

The separate statement of changes in equity shows profit or loss for the period, other comprehensive income, accumulated effects of changes in accounting policies or correction of errors, if any, changes in the shareholder transactions, as payment of dividends and capital contributions, and the reconciliation of the opening balances to the closing balances, by revealing every move or change.

**U. Cash and cash equivalents**

This caption, recorded in the separate statement of cash flows, comprises cash and cash equivalents (without including guarantee funds), interbank funds, and cash equivalents that correspond to short-term and highly liquid instruments easily convertible into cash and subject to an insignificant risk of changes in the fair value, whose maturity does not exceed 90 days from the acquisition date. According to the SBS, the Bank prepares and presents this statement by applying the indirect method.

The Bank's overdrafts are reclassified as liabilities in the separate statement of financial position.

**V. Trust activities**

Assets from fiduciary activities in which there is a commitment to return such assets to customers and in which the Bank acts as the holder, trustee or agent, have been excluded from the separate financial statements. Such assets are controlled separately in the separate financial statements and are presented in memorandum accounts.

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**W. Foreign currency transactions**

Foreign currency transactions are recorded, at initial recognition, using the local currency. For this purpose, the amounts in foreign currency are translated to the functional currency by applying the exchange rate on the transaction date, which is the date on which the conditions for their recognition are met.

At the end of each reporting period, the following guidelines are followed:

- Monetary assets and liabilities are translated at exchange rate as the end of each reporting period.
- Non-monetary items, not measured at fair value, are translated at the exchange rate on the date of the transaction.
- Non-monetary items, measured at fair value, are translated at the exchange rate on the date their fair value was established.

The recognition of the exchange difference is subject to the following guidelines:

- The exchange difference that arises when settling monetary assets and liabilities, or when converting said items at exchange rates different from those used for their initial recognition, which have occurred during the year or in previous periods, are recognized in the profit or loss of the year in which they occur.
- When the loss or gain generated by a non-monetary item is recognized in other comprehensive income, any exchange difference included is also recognized in other comprehensive income.
- In the case of non-monetary items, the loss or gain of which is recognized in profit or loss for the year, any exchange difference included in that loss or gain is also recognized in income for the year.

**4. Foreign Currency Balances**

The separate statement of financial position includes balances of foreign currency transactions, mainly in U.S. dollars (US\$), which are recorded in soles (S/) at the exchange rate established by the SBS. As of December 31, 2021 and 2020, buy and sell exchange rate was US\$ 1 = S/ 3.987 and US\$ 1 = S/ 3.621, respectively.

Foreign currency transactions in Peru referred to the concepts authorized by the BCRP are channeled through a free banking system. As of December 31, 2021, buy and sell exchange rates used were US\$ 1 = S/ 3.975 and US\$ 1 = S/ 3.998, respectively (2020: US\$ 1 = S/ 3.618 and US\$ 1 = S/ 3.624)

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As of December 31, foreign currency balances stated in thousands of U.S. dollars are as follows:

<i>In thousands of U.S. dollars</i>	2021			2020		
	U.S. Dollars	Other currencies	Total	U.S. Dollars	Other currencies	Total
<b>Assets</b>						
Cash and due from banks	2,949,732	99,220	3,048,952	3,239,581	69,646	3,309,227
Interbank funds	-	-	-	38,000	-	38,000
Investments at fair value through profit or loss and available-for-sale	400,035	-	400,035	941,932	-	941,932
Loan portfolio, net	4,308,418	222	4,308,640	4,556,995	1,443	4,558,438
Net asset position	122,780	1,716	124,496	247,587	1,715	249,302
	<b>7,780,965</b>	<b>101,158</b>	<b>7,882,123</b>	<b>9,024,095</b>	<b>72,804</b>	<b>9,096,899</b>
<b>Liabilities</b>						
Deposits and obligations with financial institutions	6,610,015	68,562	6,678,577	7,509,554	55,222	7,564,776
Interbank funds	-	-	-	20,000	-	20,000
Debts and financial obligations	1,306,241	-	1,306,241	1,323,129	-	1,323,129
Provisions and other liabilities	298,423	5,814	304,237	193,021	10,824	203,845
	<b>8,214,679</b>	<b>74,376</b>	<b>8,289,055</b>	<b>9,045,704</b>	<b>66,046</b>	<b>9,111,750</b>
<b>Short position (liabilities)</b>	<b>(433,714)</b>	<b>26,782</b>	<b>(406,932)</b>	<b>(21,609)</b>	<b>6,758</b>	<b>(14,851)</b>
Derivative instruments, assets	6,047,373	202,693	6,250,066	4,301,983	267,285	4,569,268
Derivative instruments, liabilities	5,426,887	233,758	5,660,645	4,255,335	277,984	4,533,319
<b>Long position (assets)</b>	<b>186,772</b>	<b>(4,283)</b>	<b>182,489</b>	<b>25,039</b>	<b>(3,941)</b>	<b>21,098</b>

In 2021 and 2020, the Bank recorded net exchange gains for S/ 208 million and S/ 589 million, respectively, which corresponds to the valuation of exchange rate, as well as purchase and sales transactions in foreign currency in 'profit or loss from financial transactions' of the separate statement of profit or loss (note 20).

The percentage change in the exchange rate of the Sol in relation to the US dollar was 10.11% and 9,26% as of December 31, 2021 and 2020, respectively.

## 5. Cash and Due from Banks

This caption comprises the following:

<i>In thousands of soles</i>	2021	2020
Central Reserve Bank of Perú (a)	12,117,862	15,308,202
Cash (a)	2,583,579	2,360,065
Other guarantee funds (b)	803,222	390,728
Foreign banks and other financial institutions (c)	513,896	5,223,908
Local banks and other financial institutions (c)	151,102	112,993
BCRP funds pledges as guarantee (d)	39,854	1,505,604
Clearing	38,003	28,023
Other cash and due from banks	366	360
	<b>16,247,884</b>	<b>24,929,883</b>

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- (a) As of December 31, 2021, funds held in cash and deposits with BCRP include US\$ 705 million and S/ 1,731 million (2020: US\$ 1,366 million and S/ 1,890 million), which are intended for hedging the reserve requirement that the Bank shall hold for deposits and obligations according to the limits established by current regulation. These funds are held in the Bank's vault or deposited in the BCRP.

As of December 31, 2021, reserve funds are subject to a rate of 4.75% in local currency (2020: between 4% and 5%) and of 35% in foreign currency (2020: 35%) in both periods, on the total obligations subject to reserve requirements, as required by the BCRP.

Bank reserve funds of the legal reserve requirements, which is 4%, do not accrue interest. Reserve funds corresponding to the additional reserve requirements in local and foreign currency are remunerated at a nominal interest rate established by the BCRP.

As of December 31, 2021, balances at BCRP correspond to time deposits for S/ 800 million and overnight deposits for S/ 9,326 million (2020: time deposits for S/ 10,600 million).

- (b) As of December 31, 2021 and 2020, available includes funds in guarantee for operations with derivative financial instruments amounting to US\$ 158 million and US\$ 80 million, respectively. Likewise, as of December 31, 2021, it is included S/ 132 million and US\$ 9 million to guarantee the transfer process according with the BCRP requirement (2020: S/ 80 million and US\$ 5 million).
- (c) As of December 31, 2021 and 2020, deposits with local and foreign banks mainly correspond to balances in soles and U.S. dollars, as well as lower amounts in other currencies. They have free withdrawal option and accrue interest at market rates.
- (d) As of December 31, 2021 and 2020, cash and due from banks correspond to guarantee funds for repurchase agreements of loan portfolio for S/ 40 million. Additionally, as of December 31, 2020, it includes guarantee funds that support currency repurchase commitments with the BCRP for US\$ 400 million. They matured in April 2021 (note 14(a)).

As of December 31, 2021 and 2020, interest revenue from cash and due from banks amounts to S/ 30 million and S/ 38 million, respectively. It is included in 'interest revenue' in the consolidated statement of profit or loss (note 17).



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**6. Investments at Fair Value Through Profit or Loss and Available-for-sale**

This caption comprises the following:

<i>In thousands of soles</i>	<b>2021</b>	<b>2020</b>
Investments at fair value through profit or loss		
BCRP certificates of deposit (a)	3,738,906	4,015,271
Peruvian treasury bonds (b)	390,675	663,785
	<b>4,129,581</b>	<b>4,679,056</b>
Available-for-sale investments		
BCRP certificates of deposit (a)	2,613,849	2,557,657
Peruvian treasury bonds (b)	1,795,192	1,903,892
U.S. treasury bills (c)	1,035,644	1,912,583
Corporate bonds (d)	109,789	102,955
Shares in local entities (e)	24,962	22,313
Shares in foreign entities	1,010	1,010
Multilateral development banks bonds (f)	-	147,062
U.S. treasury bonds	-	44,564
	<b>5,580,446</b>	<b>6,692,036</b>
	<b>9,710,027</b>	<b>11,371,092</b>

- (a) As of December 31, 2021, BCRP certificates of deposit are freely tradable securities, repossessed through BCRP public auctions or traded in the Peruvian secondary market. They mature in March 2022 (2020: April 2021). The balance includes certificates of deposit for S/ 630 million that are as guarantee of repurchase agreements.

As of December 31, 2021, annual interest on these instruments ranges from 0.38% to 5% (2020: from 0.25% to 5%) in local currency and is 0.22% (2020: from 0.17% to 5%) in foreign currency.

- (b) Peruvian Treasury Bonds correspond to sovereign bonds issued in local currency by the Ministry of Economy and Finance (MEF) of Peru and represent internal public debt securities of the Republic of Peru.

As of December 31, 2021, these bonds accrue interest at annual rates ranging from 1.5% and 6.87% in local currency (2020: from 0.73% and 5.25%) and 1.72% in foreign currency (2020: from 0.96% and 1.76%). As of December 31, 2021 and 2020, such bonds in local currency mature in February 2055, and in foreign currency mature in July 2025 in both periods.

As of December 31, 2021 and 2020, part of Peru's global bonds in foreign currency for US\$ 30 million have a cash flow hedge (note 8(ii)).

- (c) As of December 31, 2021, U.S. treasury bills accrue interest at annual rates ranging from 0.019% and 0.212% (2020: 0.03% and 0.76%) in foreign currency and have current maturity in September 2022 (2020: March 2021).

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As of December 31, 2021, part of the U.S. treasury bills for US\$ 100 million (2020: US\$ 60 million) has a cash flow hedge (note 8 (ii)). As of December 31, 2020, the exposure in U.S. Treasury Bills includes S/ 6 million of provisions for country risk.

- (d) As of December 31, 2021 and 2020, include corporate bonds issued by Peruvian entities in foreign.

As of December 31, 2021, these bonds accrue interest at annual rates ranging from 1.21% and 1.57% (2020: 0.65% and 1.04%) in foreign currency. As of December 31, 2021 and 2020, such bonds in foreign currency have maturity in April 2023, in both periods.

- (e) As of December 31, 2021, the balance includes a loss allowance for S/ 11 million and S/ 4 million (2020: S/ 14 million and S/ 4 million) on investments held in BVL and PDP, respectively.

- (f) Multilateral development banks bonds include international corporate bonds in foreign currency issued by Asian Development Bank (ADB) and European Investment Bank (EIB). As of December 31, 2020, these bonds accrue interest at annual rates ranging from 0.16% and 7.28% in foreign currency and have maturity in June 2021.

As of December 31, 2020, the ADB bonds and part of EIB bonds are in foreign currency and have a cash flow hedge. (Note 8 (ii))

As of December 31, 2021, unrealized losses on measurement of available-for-sale investments (note 15.D) amount to S/ 39 million (2020: unrealized gains for S/ 113 million).

As of December 31, 2021 and 2020, accrued interest of loan portfolio managed by the Bank amounts to S/ 132 million and S/ 148 million, respectively (note 17).

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**7. Loan Portfolio, Net**

This caption comprises the following:

<i>In thousands of soles</i>	<b>2021</b>		<b>2020</b>	
<b>Direct loans</b>				
Loans	32,420,826	47%	34,001,435	51%
Mortgage loans	13,600,490	20%	12,850,101	19%
Consumer loans	7,431,548	11%	6,165,726	9%
Foreign trade	4,894,668	7%	3,647,036	6%
Finance lease	3,463,072	5%	3,478,196	5%
Project financing	1,649,807	2%	1,853,442	3%
Factoring	1,537,513	2%	1,295,540	2%
Discounts	1,014,448	1%	874,658	1%
Others	3,519,296	5%	2,141,713	4%
	<b>69,531,668</b>	<b>100%</b>	<b>66,307,847</b>	<b>100%</b>
Loans past due and loans under legal collection	2,755,251	3%	2,262,590	3%
Refinanced loans	2,158,755	3%	1,801,996	3%
	<b>74,445,674</b>	<b>106%</b>	<b>70,372,433</b>	<b>106%</b>
<b>Plus (less):</b>				
Accrued returns on current loans	640,209	1%	536,916	1%
Deferred interest	(98,278)	-	(98,348)	-
Provisions for direct loan losses	(4,605,836)	(7%)	(4,364,046)	(7%)
	<b>70,381,769</b>	<b>100%</b>	<b>66,446,955</b>	<b>100%</b>
Indirect loans	<b>17,058,943</b>		<b>20,388,829</b>	

As of December 31, 2021 and 2020, 51% of the direct loan portfolio is concentrated in 3,532 and 3,705 customers, which amounts to S/ 38,320 million and S/ 36,257 million, respective.

Direct loan portfolio with guarantees received from customers, which comprise mortgages, deposits, letters of guarantees, collaterals and warrants, amounts to S/ 54,632 million as of December 31, 2021 (2020: S/ 54,458 million).

As of December 31, 2021, part of the commercial loan portfolio for US\$ 146 million have a cash flow hedge (note 8(ii)).

As of December 31, 2021, part of the mortgage loan portfolio guarantee a loan with Fondo MIVIVIENDA S.A. – MI HOGAR Program up to S/ 500 million (2020: S/ 452 million). (note 13(b)).

As of December 31, 2021, loans of the Crecer program (note 1.C) amount to S/ 20 million (2020: S/ 15 million).

As of December 31, 2021, part of the loan portfolio belongs to the FAE program (note 1.C) with a balance for S/ 28 million (2020: S/ 144 million) and provisions for S/ 13 million (2020: S/ 10 million). As of December 31, 2021, loans of the FAE program guarantee a debt with COFIDE (note 13 (c)) for up to S/ 14 million (2020: S/ 128 million).

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As of December 31, 2021, part of the loan portfolio belongs to the Reactiva Peru program (note 1.C) with a balance for S/ 11,511 million (2020: S/ 14,931 million). Loans of the Reactiva Peru program are part of the repurchase agreement of credit portfolio with BCRP (note 14(a)). The detail of such loans are detailed as follows:

<i>In thousands of soles</i>	<b>2021</b>	<b>2020</b>
<b>Type of loan</b>		
Medium-business loans	7,375,613	8,636,617
Large-business	2,799,296	3,835,084
Small-business	1,300,959	2,286,746
Corporate loans	26,737	38,000
Micro-business loans	8,147	134,929
<b>Total of Reactiva Peru program loans</b>	<b>11,510,752</b>	<b>14,931,376</b>

As of December 31, 2021, loans that guarantee the repurchase agreements of loan portfolio with the BCRP amount to S/ 6,273 million (2020: S/ 199 million) (note 14(a)).

As of December 31, effective interest rates of main assets were the following:

<b>Loans</b>	<b>2021</b>		<b>2020</b>	
	<b>Local currency</b>	<b>Foreign currency</b>	<b>Local currency</b>	<b>Foreign currency</b>
Loans and discounts	4.10	3.95	3.39	4.57
Mortgage loans	5.86	5.43	6.99	6.14
Consumer loans	19.49	21.25	21.68	22.64

The following are the balances as of December 31 of the direct loan portfolio segmented by type of customer, in accordance with the provisions of SBS Resolution No. 11356-2008:

<i>In thousands of soles</i>	<b>2021</b>		<b>2020</b>	
Medium-business loans	20,110,390	27%	19,909,336	29%
Mortgage loans	14,383,976	19%	13,560,999	19%
Corporate loans	13,861,115	19%	11,941,981	17%
Large-business	12,862,938	17%	12,662,580	18%
Consumer loans	7,714,282	10%	6,571,475	9%
Small-business loans	2,859,546	4%	3,414,100	5%
Public entities	1,324,985	2%	1,195,003	2%
Securities brokerage	654,890	1%	322,952	0%
Financial institutions	593,153	1%	608,661	1%
Micro-business loans	80,399	-	172,346	-
Multilateral development banks	-	-	13,000	-
	<b>74,445,674</b>	<b>100%</b>	<b>70,372,433</b>	<b>100%</b>

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As of December 31, according to current SBS regulations, the credit risk rating of loan portfolio of the Bank is as follows:

<i>In thousands of soles</i>	2021						2020					
	Direct	%	Indirect	%	Total	%	Direct	%	Indirect	%	Total	%
Credit risk ratings												
Standard	67,075,078	90	15,350,043	90	82,425,121	90	64,007,214	91	19,392,569	96	83,399,783	91
With potential problems	2,596,746	3	1,119,484	7	3,716,230	4	2,144,229	3	466,670	2	2,610,899	3
Substandard	1,147,927	2	454,809	3	1,602,736	2	1,070,113	2	416,776	2	1,486,889	2
Doubtful	1,217,112	2	71,894	-	1,289,006	1	857,199	1	36,260	-	893,459	1
Loss	2,310,533	3	62,713	-	2,373,246	3	2,195,330	3	76,554	-	2,271,884	3
	<b>74,347,396</b>	<b>100</b>	<b>17,058,943</b>	<b>100</b>	<b>91,406,339</b>	<b>100</b>	<b>70,274,085</b>	<b>100</b>	<b>20,388,829</b>	<b>100</b>	<b>90,662,914</b>	<b>100</b>
Deferred interest	98,278	-	-	-	98,278	-	98,348	-	-	-	98,348	-
	<b>74,445,674</b>	<b>-</b>	<b>17,058,943</b>	<b>-</b>	<b>91,504,617</b>	<b>-</b>	<b>70,372,433</b>	<b>-</b>	<b>20,388,829</b>	<b>-</b>	<b>90,761,262</b>	<b>-</b>

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In 2021, the Bank wrote-off loans for S/ 41 million (2020: S/ 18 million).

As of December 31, 2021, the Bank has proceeded with the write-off of impaired loan portfolio for S/ 184 million (2020: S/ 64 million).

Movement in provision for direct loan losses is as follows:

<i>In thousands of soles</i>	<b>2021</b>	<b>2020</b>
Balance at the beginning of the year	(4,364,046)	(2,873,191)
Additions debited to profit or loss	(2,261,022)	(2,717,200)
Recovery of provisions	1,491,145	987,864
Sale of loan portfolio	399,621	225,546
Write-off	184,458	64,013
Waiver	40,663	18,334
Exchange difference and other adjustments	(96,655)	(69,412)
	<b>(4,605,836)</b>	<b>(4,364,046)</b>

The provision for direct loan losses, as shown in the separate statement of profit or loss, is as follows:

<i>In thousands of soles</i>	<b>2021</b>	<b>2020</b>
Provision for loan losses	(2,261,022)	(2,717,200)
Recovery of provisions	1,491,145	987,864
Revenue from recovery of loan portfolio	13,525	5,690
<b>Provision for loan losses, net of recoveries</b>	<b>(756,352)</b>	<b>(1,723,646)</b>

Management considers that the level of provision for loans losses covers eventual losses in the direct loan portfolio as of the date of the separate statement of financial position, and has been made in compliance with all the requirements of current regulations.

The balance of the provision for loan losses (direct and indirect loans) is as follows:

<i>In thousands of soles</i>	<b>2021</b>	<b>2020</b>
Specific	(2,893,965)	(2,753,185)
Specific – COVID-19	(49,124)	(123,453)
Generic	(661,321)	(576,899)
Voluntary	(1,000,538)	(908,963)
Provision for country risk	(888)	(1,546)
	<b>(4,605,836)</b>	<b>(4,364,046)</b>

The Bank, according with current law, has identified customers exposed to exchange rate risk, and considers that the level of such risk is appropriate; therefore, it has not determined an additional provision for this concept.

In 2021, the Bank sold loan portfolio for S/ 400 million (2020: S/ 226 million). The sale amounted to S/ 23 million (2020: S/ 11 million) and presented in 'profit or loss from financial transactions' of the consolidated statement of profit or loss.

In 2021, the Bank purchased a loan portfolio to its subsidiary BBVA Consumer Finance EDPYME for S/ 199 million (2020: S/ 214 million). The purchase price of the aforementioned portfolio amounted to S/ 218 million (2020: S/ 247 million).

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As of December 31, 2021 and 2020, rescheduled loans, including rescheduled loans due to the public health emergency and the rescheduled loans of the Reactiva Peru program, amount to S/ 5,939 and S/ 13,088 million, respectively.

<i>In thousands of soles</i>	<b>2021</b>	<b>2020</b>
<b>Type of loans</b>		
Medium-business loans	3,395,204	3,960,602
Large-business loans	1,142,183	1,214,955
Small-business loans	717,116	511,646
Mortgage loans	351,850	4,676,367
Corporate	230,545	157,953
Consumer loans	96,640	2,561,585
Micro-business	4,974	4,429
<b>Total rescheduled loans</b>	<b>5,938,512</b>	<b>13,087,537</b>

The Bank rescheduled loans for S/ 2,872 million loans between April and June 2020 for a term of no more than 3 months without interest (consumer, small-business and micro-business loans). The debt rescheduling resulted in lower finance income for S/ 97 million.

## 8. Held-for-Trading and Hedging Instruments

As of December 31, 2021 and 2020, the Bank holds foreign-exchange forward contracts, cross-currency swaps and interest rate swaps and options. As of December 31, the changes in fair value of these derivative financial instruments are recorded as accounts receivable (assets) or accounts payable (liabilities), as appropriate:

<i>In thousands of soles</i>	<b>Note</b>	<b>Underlying</b>	<b>Nominal</b>	<b>Assets</b>	<b>Liabilities</b>
<b>2021</b>					
<b>Held-for-trading instruments</b>					
Currency forward contracts			23,311,275	339,541	428,488
Interest rate swaps			21,067,297	221,545	236,945
Currency swap			21,285,101	1,217,374	904,980
Options of shares, changes and others			1,024,321	1,607	1,607
Provision for country risk			-	(12,335)	-
			<b>66,687,994</b>	<b>1,767,732</b>	<b>1,572,020</b>
<b>Hedging instruments</b>	<i>6, 7, 13 and 14</i>				
<b>At fair value (i)</b>					
Interest rate swaps		Bonds issue	3,189,600	51,090	-
Interest rate swaps		Loans	19,935	76	-
<b>Contractual cash flows (ii)</b>					
Currency forward contracts		Loan portfolio	583,738	16,958	-
Currency forward contracts		U.S. treasury bills	398,700	7,446	-
Currency forward contracts		Future cash flows – suppliers	210,115	-	2,733
Currency forward contracts		Interest on bonds	158,982	235	3,894
Currency swap		Peru's global bonds	119,610	-	28,378
Interest rate swaps		Loans	11,391	-	54
			<b>4,692,071</b>	<b>75,805</b>	<b>35,059</b>
			<b>71,380,065</b>	<b>1,843,537</b>	<b>1,607,079</b>

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<b>2020</b>					
<b>Held-for-trading instruments</b>					
Currency forward contracts			20,640,060	153,918	205,947
Interest rate swaps			12,326,261	280,024	375,716
Currency swap			10,138,403	469,980	291,822
Options of shares, changes and others			720,484	2,910	2,910
Provision for country risk			-	(8,237)	-
			<b>43,825,208</b>	<b>898,595</b>	<b>876,395</b>
<b>Hedging instruments</b> <i>6 and 13</i>					
<b>At fair value (i)</b>					
Interest rate swaps		Bonds issue	2,896,800	102,960	-
Interest rate swaps		Loans	54,315	394	-
<b>Contractual cash flows (ii)</b>					
Currency forward contracts		U.S. treasury bills	217,260	-	2,674
Currency forward contracts		Multilateral development banks bonds	111,161	-	5,466
Currency swap		Peru's global bonds	108,630	-	6,196
Interest rate swaps		Loans	31,037	-	297
			<b>3,419,203</b>	<b>103,354</b>	<b>14,633</b>
			<b>47,244,412</b>	<b>1,001,948</b>	<b>891,028</b>

**i. Fair value – hedging instruments**

**Interest rate swap**

As of December 31, 2021, the Bank holds cross-currency swaps contract at face value for S/ 3,210 million for loans and issuance (2020: S/ 2,951 million). Through IRS, the Bank receives a fixed interest rate in U.S. dollars and pays a variable interest rate in the same currency. In 2021, changes in fair value of IRS amounts to a loss for S/ 37 million (2020: loss for S/ 86 million) and is recorded in 'operating profit' of the consolidated statement of profit or loss.

The table below shows the detail of hedged elements and their hedging instruments as of December 31:

<b>Hedge element</b>	<b>Hedging instrument</b>	<b>Note</b>	<b>Face value of the hedging instrument stated in thousands of S/</b>		<b>Fair value of the hedging instrument stated in thousands of S/</b>	
			<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Fair value hedge</b>			<b>3,209,535</b>	<b>2,951,115</b>	<b>51,166</b>	<b>103,354</b>
First international issuance of corporate bonds for US\$ 500 million	<b>Interest rate swap (IRS)</b> The Bank receives a fixed interest rate and pays a variable interest rate.	13(d)	1,993,500	1,810,500	28,839	48,067
First international issuance of subordinated bonds for US\$ 300 million	<b>Interest rate swap (IRS)</b> The Bank receives a fixed interest rate and pays a variable interest rate.	13(d)	1,196,100	1,086,300	22,251	54,894
Wells Fargo loan for US\$ 5 million	<b>Interest rate swap (IRS)</b> The Bank receives a fixed interest rate and pays a variable interest rate.	13(a)	19,935	54,315	76	393



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**ii. Cash flow - hedging instruments**

**Currency forward contracts**

As of December 31, 2021, the Bank has currency forward contracts at face value equivalent to S/ 1,352 million for hedging the loan portfolio for US\$ 146 million, U.S. treasury bills for US\$ 100 million, commitment of future payments to suppliers for US\$ 53 million and interest on bonds for US\$ 40 million. For the loan portfolio and U.S. treasury bills, the Bank receives a future cash flow in soles and pays a future cash flow in U.S. Dollars. Also, for the commitment of future payments to suppliers and interest on bonds, the Bank receives a future cash flow in U.S. dollars and pays a future cash flow in soles.

As of December 31, 2020, the Bank has currency forward contracts at face value equivalent to S/ 328 million for hedging instrument at fixed tax accounted as available-for-sale investment, including U.S. treasury bills for US\$ 60 million, ASD bonds for US\$ 20 million and EUI bonds for US\$ 10 million. Through currency forward of the U.S. treasury bills, the Bank receives a future cash flow in soles and pays a future cash flow in U.S. dollars; for ASD and EUI receives a future cash flow in soles and pays a future cash flow in U.S. dollars.

In 2021, fair value of currency forwards amounts to a gain for S/ 31 million recorded in 'equity, net of deferred tax' (2020: gain for S/ 3 million).

**Currency swap**

As of December 31, 2021, the Bank holds currency swaps for a face value amounting to S/ 120 million (2020: S/ 109 million) for the bonds hedge accounted as available-for-sale investments (US\$ 30 million of a global bond). Through currency swap of global bonds, the Bank receives a fixed interest rate in soles and pays a fixed interest rate in U.S. dollars.

In 2021, fair value of currency swaps amounts to a loss for S/ 35 million recorded in 'equity, net of deferred tax' (2020: gain for S/ 3 million).

**Interest rate swap**

As of December 31, 2021, the Bank holds cross-currency swaps contract at face value for S/ 11 million for loans and issuance (2020: S/ 31 million). The Bank receives a variable interest rate in U.S. dollars and pays a fixed interest rate in the same currency. In 2021, fair value of interest rate swaps amounts to a loss for S/ 0.1 million recorded in 'equity, net of deferred tax' (2020: loss for S/ 0.1 million).

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The table below shows the detail of hedged elements and their hedging instruments as of December 31:

Hedge element	Hedging instrument	Note	Face value of the hedging instrument stated in thousands of S/		Fair value of the hedging instrument stated in thousands of S/	
			2021	2020	2021	2020
<b>Cash flow hedges</b>			<b>1,482,536</b>	<b>468,088</b>	<b>(10,420)</b>	<b>(14,633)</b>
Loan Portfolio for US\$ 146 million	<b>Interest rate swap (IRS)</b> The Bank receives a future cash flow in soles and pays a future cash flow in U.S. dollars.	7	583,738	-	16,958	-
U.S. treasury bills for US\$ 100 million	<b>Interest rate swap (IRS)</b> The Bank receives a future cash flow in soles and pays a future cash flow in U.S. dollars.	6(c)	398,700	217,260	7,446	(2,674)
Future cash flows to suppliers for US\$ 53 million.	<b>Currency forward</b> The Bank receives a future cash flow in U.S. dollars and pays a future cash flow in soles.		210,100	-	(2,733)	-
Interest on bonds for US\$ 40 million.	<b>Currency forward</b> The Bank receives a future cash flow in U.S. dollars and pays a future cash flow in soles.	13(d)	158,982	-	(3,659)	-
Global bonds for US\$ 30 million	<b>Interest rate swap (IRS)</b> The Bank receives a fixed interest rate and pays a fixed interest rate in U.S. dollars.	6(b)	119,610	108,630	(28,378)	(6,196)
Standard Chartered loan for US\$ 3 million	<b>Interest rate swap (IRS)</b> The Bank receives a variable interest rate and pays a fixed interest rate in U.S. dollars.	13(a)	11,391	31,037	(54)	(297)
ADB bond for US\$ 20 million	<b>Interest rate swap (IRS)</b> The Bank receives a future cash flow in soles and pays a future cash flow in U.S. dollars.	6(f)	-	74,067	-	(4,084)
EUI bond for US\$ 10 million.	<b>Interest rate swap (IRS)</b> The Bank receives a future cash flow in soles and pays a future cash flow in U.S. dollars.	6(f)	-	37,094	-	(1,382)

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**9. Investments in Subsidiaries and Associates**

This caption comprises the following:

<i>In thousands of soles</i>	<b>2021</b>	<b>2020</b>
<b>Shares in subsidiaries (a)</b>		
Inmuebles y Recuperaciones BBVA S.A.	181,337	172,057
BBVA Consumer Finance Edpyme	104,423	104,557
BBVA Asset Management S.A. S.A.F.	37,384	40,381
Forum Distribuidora del Perú S.A.	27,161	24,506
BBVA Bolsa Sociedad Agente de Bolsa S.A.	18,693	18,655
BBVA Sociedad Titulizadora S.A.	5,125	5,212
Forum Comercializadora del Perú S.A.	2,268	2,187
	<b>376,391</b>	<b>367,555</b>
<b>Shares in associates (b)</b>		
Compañía Peruana de Medios de Pago S.A.C.(c)	7,001	-
TFP S.A.C.	5,998	4,582
	<b>12,999</b>	<b>4,582</b>
	<b>389,390</b>	<b>372,137</b>

- (a) As of December 31, 2021 and 2020, the Bank holds 100% of its subsidiaries shares.

The goodwill corresponding to the acquisition of the companies BBVA Consumer Finance EDPYME, Forum Comercializadora del Perú S.A. and Forum Distribuidora del Perú S.A., as of December 31, 2021 and 2020, amounts to S/ 10 million, and its provision for impairment loss is S/ 10 million, for both periods.

Also, BBVA Consumer Finance has a plan to integrate the vehicle business with the Bank in the first half of 2022, and from that period on, the dissolution process of such company would begin.

- (b) As of December 31, 2021, the BBVA Peru Group, through the Bank, holds 21.15% and 24.30% of shares in the share capital of Compañía Peruana de Medios de Pago S.A.C. (Niubiz, formerly Visanet Perú) and TFP S.A.C. (2020: 21.03% and 24.30%), respectively.
- (c) As of December 31, 2020, the current situation and the decree of the national state of emergency had an impact on the operations and profit or loss of Compañía Peruana de Medios de Pagos S.A.C. (hereinafter the Company), hence the Bank recognized loss in such subsidiary for S/ 2 million. The Company's profit and loss were impacted by the national state of emergency due to COVID-19. On the other hand, the Company's financial statements include the profit or loss of its subsidiary Soluciones y Servicios Integrados SAC, which was created three years ago focusing on the mass sector; therefore, costs and expenses related to generation have been incurred for the new products and brand positioning.

In 2021 and 2020, the Bank recognized gains on investments in subsidiaries and associates for S/ 62 million and S/ 43 million, respectively (note 20).

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### 10. Property, Furniture and Equipment, Net

The movement in property, furniture, and equipment and accumulated depreciation in 2021 and 2020 is as follows:

<i>In thousands of soles</i>	Land	Buildings and premises	Property, furniture and equipment	Vehicles	Installations and improvements to rental property	Work-in-progress	Goods in transit and replacement parts	Total
<b>Costs</b>								
Balance as of January 1, 2020	118,224	970,781	731,517	8,087	263,399	85,087	256	2,177,351
Additions	-	8,725	52,385	-	4,560	66,604	-	132,274
Derecognition of assets and others	-	(217)	(3,214)	-	24	-	-	(3,407)
Transfers	-	(79,557)	-	-	79,770	(213)	-	-
<b>As of December 31, 2020</b>	<b>118,224</b>	<b>899,732</b>	<b>780,688</b>	<b>8,087</b>	<b>347,753</b>	<b>151,478</b>	<b>256</b>	<b>2,306,218</b>
Additions	-	12,154	98,692	-	6,618	70,026	-	187,490
Derecognition of assets	-	(356)	(27,088)	(366)	-	-	-	(27,810)
Transfers	-	14,188	366	-	(285)	(14,269)	-	-
<b>As of December 31, 2021</b>	<b>118,224</b>	<b>925,718</b>	<b>852,658</b>	<b>7,721</b>	<b>354,086</b>	<b>207,235</b>	<b>256</b>	<b>2,465,898</b>
<b>Depreciation</b>								
Balance as of January 1, 2020	-	563,560	453,702	6,639	165,640	-	-	1,189,541
Additions	-	24,645	71,350	643	10,606	-	-	107,244
Impairment	-	118	-	-	-	-	-	118
Derecognition of assets and others	-	(217)	(3,456)	-	20	-	-	(3,653)
Transfers	-	(16,582)	-	-	16,582	-	-	-
<b>As of December 31, 2020</b>	<b>-</b>	<b>571,524</b>	<b>521,596</b>	<b>7,282</b>	<b>192,848</b>	<b>-</b>	<b>-</b>	<b>1,293,250</b>
Additions	-	26,456	71,188	427	11,213	-	-	109,284
Impairment	-	9,700	-	-	10,100	-	-	19,800
Derecognition of assets	-	(355)	(27,065)	(366)	-	-	-	(27,786)
Transfers	-	2,266	-	-	(2,266)	-	-	-
<b>As of December 31, 2021</b>	<b>-</b>	<b>609,591</b>	<b>565,719</b>	<b>7,343</b>	<b>211,895</b>	<b>-</b>	<b>-</b>	<b>1,394,548</b>
<b>Net cost</b>								
<b>As of December 31, 2021</b>	<b>118,224</b>	<b>316,127</b>	<b>286,939</b>	<b>378</b>	<b>142,191</b>	<b>207,235</b>	<b>256</b>	<b>1,071,350</b>
<b>As of December 31, 2020</b>	<b>118,224</b>	<b>328,208</b>	<b>259,092</b>	<b>805</b>	<b>154,905</b>	<b>151,478</b>	<b>256</b>	<b>1,012,968</b>

According to current regulations, the Bank in Peru cannot pledge as collateral the assets that are part of their property, furniture and equipment, except for those acquired through the issuance of lease bonds to carry out finance leases.

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**11. Other Assets, Net**

This caption comprises the following:

<i>In thousands of soles</i>	<b>2021</b>	<b>2020</b>
Transactions in progress (a)	548,502	765,064
Intangible assets (b)	318,715	285,018
Tax credit (c)	198,787	172,714
Prepaid expenses (d)	159,050	133,340
Accounts receivable for sale of assets, services and trust	23,597	22,299
Other accounts receivable	10,488	23,155
Others	1,665	1,660
	<b>1,260,804</b>	<b>1,403,250</b>

- (a) Transactions in progress are mainly those carried out during the last days of the month and are reclassified in the following month to their final accounts in the consolidated statement of financial position. These transactions do not affect the Bank's profit or loss. As of December 31, 2021, it mainly correspond to treasury transactions: i) acquisition and sale of currency for S/ 176 million (2020: S/ 480 million), and ii) sale of securities for S/ 296 million (2020: S/ 231 million).
- (b) Intangible assets is recorded net of S/ 363 million of accumulated amortization and provision for impairment (2020: S/ 246 million).
- (c) As of December 31, 2021, it corresponds to sales tax credit for S/ 25 million (2020: S/ 27 million), and income tax credit for S/ 174 million (2020: S/ 145 million).
- (d) As of December 31, 2021 and 2020, advance payment mainly includes prepaid insurance contracts and deferred loan origination costs related to fees paid to the external sales force and premium paid to buy the loan portfolio.

**12. Deposits and Obligations in Local and Foreign Financial Institutions**

This caption comprises the following:

<i>In thousands of soles</i>	<b>2021</b>	<b>2020</b>
Deposits and obligations		
Savings accounts	28,493,043	24,711,799
Demand deposits	24,887,037	29,778,628
Time deposits	9,633,223	16,247,276
Other liabilities	91,485	74,831
	<b>63,104,788</b>	<b>70,812,534</b>
Deposits with financial institutions		
Demand deposits	543,923	541,344
Time deposits	345,686	846,698
Savings accounts	135,962	105,024
	<b>1,025,571</b>	<b>1,493,066</b>
	<b>64,130,359</b>	<b>72,305,600</b>

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As of December 31, 2021 and 2020, deposits and obligations include deposits received as guarantees of direct and indirect loan for S/ 731 million and S/ 963 million, respectively.

Interest rates for liability transactions are stated by the Bank, based on current interest rates. Current interest rates as of December 31 fluctuated as detailed below for the main products, respectively:

	2021		2020	
	Local currency	Foreign currency	Local currency	Foreign currency
Checking accounts	0.00-0.25	0.00-0.125	0.00-0.25	0.00-0.125
Savings accounts	0.00-0.125	0.00-0.125	0.00-0.50	0.00-0.25
Time deposits and bank certificates	0.01-1.35	0.01-0.80	0.80-1.35	0.10-0.80
Super deposit	0.01-1.35	0.01-0.25	0.80-1.35	0.10-0.80
Length-of-service compensation deposits	0.25-1.50	0.15-1.75	1.00-2.50	0.60-1.75

As of December 31, 2021, from the total deposits and obligations from individuals and non-profit entities and legal entities, S/ 24,935 million are hedge by the Deposit Insurance Fund (2020: S/ 22,813 million) and are obtained from the average daily balances of the month according with SBS Resolution 0657-99. The maximum amount subject to hedge by person amounts to S/ 115,637 at the end of December 2021 (2020: S/ 101,522).

### 13. Debts and Financial Obligations

This caption comprises the following:

<i>In thousands of soles</i>	2021	2020
Debts and Financial Obligations		
Foreign financial institutions (a)	1,566,388	1,443,573
Mi Vivienda Program – mortgage loan (b)	500,011	452,435
Corporación Financiera de Desarrollo - COFIDE (c)	19,627	134,236
Accrued interest payable	24,210	7,056
	<b>2,110,236</b>	<b>2,037,300</b>
Securities and obligations (d)		
Corporate bonds	2,767,766	3,026,713
Subordinated bonds	1,894,193	1,763,493
Negotiable certificates of deposit	139,398	131,903
Accrued interest payable	78,081	70,822
	<b>4,879,438</b>	<b>4,992,931</b>
	<b>6,989,674</b>	<b>7,030,231</b>

Loan agreements include standard clauses regarding compliance with financial ratios, use of funds and other administrative matters. As of December 31, 2021 and 2020, in management's opinion, these clauses are being met, in all material respects, and do not represent any restriction to the Bank's activities.

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- (a) As of December 31, 2021, the BBVA Peru Group maintain the following debt agreements with foreign financial institutions, which accrue interest at annual LIBOR rates ranging from +0.52% and 5% for both periods.

In thousands of	2021		2020		Maturity date
	US\$	S/	US\$	S/	
BBVA S.A. (i)	200,000	797,400	-	-	February 2031
Wells Fargo Bank (ii)/(iii)	105,017	418,702	115,096	416,761	May and June 2022
Mizuho Corporate Bank	50,000	199,350	50,000	181,050	November 2023
ICO - Instituto de crédito	35,000	139,545	35,000	126,735	August 2022
Standard Chartered (iii)/(iv)	2,857	11,391	8,571	31,037	June 2022
Toronto Dominion Bank	-	-	80,000	289,680	April 2021
Sumitomo Bank, NY	-	-	60,000	217,260	May 2021
Citibank NY	-	-	50,000	181,050	November 2021
	<b>392,874</b>	<b>1,566,388</b>	<b>398,667</b>	<b>1,443,573</b>	
Accrued interest payable	5,764	22,981	1,696	6,141	
	<b>398,638</b>	<b>1,589,369</b>	<b>400,363</b>	<b>1,449,714</b>	

- (i) It corresponds to a subordinated loan in foreign currency agreed at an annual interest rate of 3.18% for the first 5 years, and for the remaining years a new rate will be set. It matures in February 2031. Such loan is recognized as tier 2 capital.
- (ii) It corresponds to a loan for a nominal amount of US\$ 5 million (2020: US\$ 15 million), agreed at annual fixed interest rate of 5%, with maturity in June 2022, which have a fair value hedge through interest rate swaps. As of December 31, 2021, such loan has generated accumulated losses for S/ 0.1 million (2020: S/ 0.3 million accumulated gains).
- (iii) Includes financing received for a total of US\$ 8 million (US\$ 24 million as of December 31, 2020) maturing in June 2022, guaranteed by present and future flows generated by electronic customer payment orders ("*Diversified Payments Rights DPRs*"). These orders are sent to the Bank via SWIFT (Society for Worldwide Interbank Financial Telecommunications Network) and accrue interest at the Libor rate plus a spread.
- The Bank signed specific agreements on these loans, which contain clauses for compliance with financial ratios and other specific conditions related to flows assigned by the Bank, which in Management's opinion have been fully complied with.
- (iv) The balance includes a loan for US\$ 3 million (US\$ 9 million as of December 31, 2020) maturing in June 2022, whose cash flows are hedged through an "interest rate swap - IRS" ( note 8 (ii)).

As of December 31, 2021 and 2020, the Bank has in accounts payable a balance of S/ 2 million and S/ 0.4 million, respectively, which corresponds to deferred issuance expenses.

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- (b) As of December 31, 2021, it corresponds to resources for the financing of the acquisition of houses under the MI VIVIENDA program (MI HOGAR credit) for S/ 498 million in local currency and US\$ 0.5 million in foreign currency (2020: S/ 449 million in local currency and US\$ 1 million in foreign currency). As of December 31, 2021 and 2020, this loan accrue interest at an annual effective rate in U.S. dollars of 7.75 % and in soles of 6.25 % on principal plus constant update value in both periods, and have maturity on December 2041 and December 2040, respectively.

As of December 31, 2021 and 2020, debts with MIVIVIENDA fund are guaranteed with mortgage loan portfolio up to S/ 500 million and S/ 452 million, respectively (note 7). These loans include specific agreements on how the funds should be used, the financial conditions that the final borrower must maintain, as well as other administrative matters.

- (c) As of December 31, 2021, it includes balances corresponding to the FAE program that is managed by COFIDE (note 7). The debt amounts to S/ 14 million (2020: S/ 127 million) in local currency and to US\$ 0.01 million (2020: US\$ 0.2 million) in foreign currency. As of December 31, 2021 and 2020, these balances accrue interest at annual rates ranging from 4.61% and 7.51% in local currency, and 5.29% and 7.36% in foreign currency, in both periods and have maturity in April 2023.
- (d) As of December 31, securities and bonds are as follows:

<b>Program</b>	<b>Amount authorized</b>	<b>Currency</b>	<b>Original amount in place</b>	<b>2021</b>	<b>2020</b>	<b>Maturity date</b>
<b>Corporate bonds</b>						
2nd issuance, series A - Fifth Program	US\$ 250 million	S/	150,000	150,000	150,000	December 2026
2nd issuance, series A - Sixth Program	US\$ 250 million	S/	150,000	-	150,000	June 2021
1st issuance, series A - Seventh Program	US\$ 1,000 million	S/	132,425	-	132,425	June 2021
1st issuance, series B - Seventh Program		S/	69,435	-	69,435	June 2021
2nd issuance, series A - Seventh Program		S/	100,000	100,000	100,000	July 2023
2nd issuance, series B - Seventh Program		S/	73,465	73,465	73,465	August 2023
1st issuance, series C - Seventh Program		S/	70,000	-	70,000	September 2021
1st issuance, series D - Seventh Program		S/	120,000	120,000	120,000	July 2022
1st issuance, series E - Seventh Program		S/	65,520	65,520	65,520	August 2022
1st issuance, series F - Seventh Program		S/	150,000	150,000	150,000	October 2022
2nd issuance, series C - Seventh Program		S/	96,550	96,550	96,550	December 2024
First Program of international Issuance (i)	US\$ 500 million	US\$	500,000	2,012,231	1,849,318	August 2022
				<b>2,767,766</b>	<b>3,026,713</b>	
<b>Subordinated bonds</b>						
2nd issuance, series A - First Program	US\$ 50 million or S/ 158.30 million	US\$	20,000	79,507	72,177	May 2027
3rd issuance, series A - First Program		S/	55,000	86,291	81,672	June 2032
2nd issuance, series A - Second Program	US\$ 100 million	S/	50,000	76,827	72,715	November 2032
3rd issuance, series A - Second Program		US\$	20,000	79,740	72,420	February 2028
4th issuance, single series - Second Program		S/	45,000	66,727	63,155	July 2023
5th issuance, single series - Second Program		S/	50,000	73,183	69,266	September 2023
6th issuance, series A - Second Program		S/	30,000	43,153	40,844	December 2033
1st issuance, single series - Third Program	US\$ 55 million	US\$	45,000	179,415	162,945	October 2028
First Program of international Issuance - Single issuance (ii)	US\$ 300 million	US\$	300,000	1,209,350	1,128,299	September 2029
				<b>1,894,193</b>	<b>1,763,493</b>	
<b>Negotiable certificates of deposit</b>				<b>139,398</b>	<b>131,903</b>	
<b>Accrued interest payable</b>				<b>78,081</b>	<b>70,822</b>	
				<b>4,879,438</b>	<b>4,992,931</b>	



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- (i) In August 2012, the Bank issued corporate bonds in the international market for a face value of US\$ 500 million, at an annual fixed rate of 5%, and with maturity in August 2022. The main payment shall be carried out in full on its maturity date. As of December 31, 2021, fair value of this issuance have an accounting hedge through interest rate swaps, which accrued accumulated losses for S/ 19 million (2020: S/ 39 million).
- (ii) In September 2014, the Bank issued subordinated bonds in the international market for a face value of US\$ 300 million, at an annual fixed rate of 5.25%, and with maturity in September 2029. The main payment shall be carried out in full on its maturity date. As of December 31, 2021, fair value of this issuance have an accounting hedge through interest rate swaps, which accrued accumulated losses for S/ 18 million (2020: accumulated gains for S/ 47 million).

As of December 31, 2021 and 2020, corporate bonds do not have specific collaterals and accrue interest at effective annual interest rates ranging from 3.9% to 7.5% in local currency and of 5% in foreign currency for both periods.

Subordinated bonds have been issued in accordance with the Banking Law, and accrue interest at a rate ranging from constant update value plus a spread for local currency, and from 5.3% and 6.5% in foreign currency, as of December 31, 2021 and 2020.

As of December 31, 2021, a portion of the corporate and subordinated bonds (US\$ 40 million) have a cash flow hedge (note 8 (ii)).

As of December 31, 2021 and 2020, The Bank have in accounts payable a balance of S/ 6 million and S/ 7 million, respectively, which corresponds to deferred issuance expenses.

**14. Accounts Payable, Provisions and Other Liabilities**

This caption comprises the following:

<i>In thousands of soles</i>	<b>2021</b>	<b>2020</b>
<b>Accounts payable</b>		
Repurchase agreements with BCRP (a)	16,217,008	15,183,940
Accounts payable to suppliers	469,926	361,868
Premium to deposit insurance fund, contributions and obligations with tax collecting institutions	174,252	128,063
Dividends, interest and remunerations payable	130,263	114,026
Other accounts payable (b)	92,108	157,686
Interest payable	25,273	61,136
	<b>17,108,830</b>	<b>16,006,719</b>
<b>Other liabilities</b>		
Transactions in progress (c)	528,077	741,570
Deferred income and others	74,189	73,976
	<b>602,266</b>	<b>815,546</b>
<b>Provisions</b>		
Labor provisions and others	477,586	413,909
Provision for litigations, claims and other contingencies (d)	302,670	225,220
Provision for indirect loan losses (e)	244,377	247,366
	<b>1,024,633</b>	<b>886,495</b>
	<b>18,735,729</b>	<b>17,708,760</b>

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- (a) As of December 31, 2021, it corresponds to repurchase agreements of the loan portfolio of the Reactiva Peru program for S/ 10,677 million (2020: S/ 13,602 million), repurchase agreements of rescheduled loans for S/ 4,942 million (2020: S/ 199 million) and repurchase agreements of certificates of deposits with the BCRP for S/ 598 million. Additionally, as of December 31, 2020, repurchase agreements in foreign currency amounted to S/ 1,383 million, matured in April 2021 and accrued interest at annual interest rates ranging from 1.80% to 3.61%.

As of December 31, 2021, repurchase agreements of the loan portfolio of the Reactiva Peru program mature in December 2025 (2020: December 2023) and accrue interest at annual interest rates of 0.50% for both periods. Also, repurchase agreements of rescheduled loans mature in September 2025 (2020: August 2024) and accrue interest at annual interest rates ranging from 0.50% to 3.5% (2020: 0.50%).

- (b) As of December 31, 2021, it includes S/ 35 million for insurance on behalf of borrowers (2020: S/ 12 million) and S/ 24 million for short-term sale transactions (2020: S/ 110 million).
- (c) Transactions in progress are mainly those carried out during the last days of the month and are reclassified in the following month to their final accounts in the consolidated statement of financial position. These transactions do not have an impact on the Bank's profit or loss. As of December 31, 2021, liability transactions in progress mainly include treasury transactions for S/ 350 million (2020: S/ 612 million).
- (d) The Bank has several pending court claims, litigation and other processes that are related to the activities it develops, and in the opinion of Management and its legal advisors, they will not result in additional liabilities to those registered.
- (e) Movement in the loss allowance for direct (or indirect) loans is as follows:

<i>In thousands of soles</i>	<b>2021</b>	<b>2020</b>
Balance at the beginning of the year	247,366	226,399
Provisions	113,519	84,193
Recovery and reversals	(120,128)	(72,064)
Exchange difference and other adjustments	3,620	8,838
<b>Balance as of December 31</b>	<b>244,377</b>	<b>247,366</b>

The balance of the provision for loan losses (indirect loans) is as follows:

<i>In thousands of soles</i>	<b>2021</b>	<b>2020</b>
Specific	123,905	111,295
Generic	106,233	121,031
Provision for country risk	14,239	15,040
<b>Balance as of December 31</b>	<b>244,377</b>	<b>247,366</b>

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## 15. Equity

### A. Effective capital and legal limits

In accordance with the Banking Law, regulatory capital amount could not be less than 10% of the assets and indirect loans weighted per credit risk, market and operational risk, which are calculated by the Bank using the standard method. Emergency Decree 037-2021, dated June 2, 2021, reduced the global limit to 8% until March 31, 2022. Likewise, it is used to calculate certain limits and restrictions applicable to the Bank. In management's opinion, the Bank met such limits and restrictions.

As of December 31, 2021, the effective equity of the Bank, determined according to current legal regulations, is S/ 11,919 million (2020: S/ 10,649 million).

<i>In thousands of soles</i>	<b>2021</b>	<b>2020</b>
<b>Level 1</b>		
Ordinary shares	6,758,467	6,529,169
<b>Plus</b>		
Legal reserve	2,052,610	1,896,645
Profit or loss with capitalization agreement	-	142,000
<b>Less</b>		
Investments in subsidiaries and other deductions	(163,328)	(185,102)
	<b>8,647,749</b>	<b>8,382,712</b>
<b>Level 2</b>		
<b>Plus</b>		
Subordinated debts	797,400	-
Subordinated bonds	1,680,327	1,559,213
General provision for loans	957,001	892,118
<b>Less</b>		
Investments in subsidiaries and other deductions	(163,328)	(185,102)
	<b>3,271,400</b>	<b>2,266,229</b>
<b>Total regulatory capital</b>	<b>11,919,149</b>	<b>10,648,941</b>

As of December 31, 2021, assets and indirect loans weighted per credit, market and operational risk, determined according to current legal regulations, is S/ 84,328 million (2020: S/ 77,820 million). Also, aggregate capital ratio for market, operational and credit risks of the Bank is 14.13% (2020: 13.68%).

SBS Resolution 8425-2011, dated July 20, 2011, approved the "Regulation on Additional Reserve Requirements." It also established that the additional reserve requirements shall be equal to the sum of the legal reserve requirements calculated per factor: credit risk (individual and sector), market risk, interest rate risk and other risks. As of December 31, 2021 and 2020, the Bank's additional reserve requirements amount to S/ 1,067 million and S/ 1,285 million, respectively.

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The regulatory capital surplus is as follows:

<i>In thousands of soles</i>	2021	2020
<b>Minimum regulatory capital requirement</b>		
For loan, market and operational risks	6,906,510	7,782,024
Additional regulatory capital	1,067,460	1,284,540
<b>Total minimum capital requirements</b>	<b>7,973,970</b>	<b>9,066,564</b>
<b>Total regulatory capital calculated</b>	<b>11,919,149</b>	<b>10,648,941</b>
<b>Regulatory capital surplus</b>	<b>3,945,179</b>	<b>1,582,377</b>

### B. Share capital

As of December 31, 2021 and 2020, the Bank's authorized, subscribed, and paid-in capital is represented by 6,758,467 and 6,529,169 ordinary shares, respectively, with a face value of S/ 1.00 each.

The General Shareholders' Meeting, held March 24, 2021 and May 11, 2020, approved the increase in share capital for S/ 229 million and S/ 644 million, respectively, through the capitalization of retained earnings.

Shareholding on the Bank's share capital as of December 31, is as follows:

	2021		2020	
	N° of shareholders	Interests %	N° of shareholders	Interests %
Interests				
Up to 1	7,952	6.13	8,045	3.01
From 1.01 to 5	1	1.63	4	4.75
From 45.01 to 100	2	92.24	2	92.24
	<b>7,955</b>	<b>100.00</b>	<b>8,051</b>	<b>100.00</b>

### C. Reserves

In accordance with the Banking Law, the Bank is required to have a legal reserve of more than 35% of the paid-in-capital. This legal reserve shall be recognized by an annual transfer of more than 10% of profit after tax. It shall replace the reserve referred to in the Companies Act. In accordance with the Banking Law, the amount of this reserve may also be increased with contributions made by the stockholders for this purpose.

General Shareholders' Meeting, held March 24, 2021 and May 11, 2020, approved to record the legal reserve for the amount equivalent to 10% of 2020 profits (S/ 66 million) and 2019 profit (S/ 161 million), respectively.

### D. Adjustments to equity

As of December 31, 2021 and 2020, unrealized profit or loss, net of deferred tax, was as detailed below:

<i>In thousands of soles</i>	Note	2021	2020
Available-for-sale investments	6	(39,380)	113,205
Cash Flow hedges	8	(4,799)	5,953
Investments in subsidiaries and associates		(2,007)	(2,518)
Actuarial liabilities		13,482	2,508
		<b>(32,704)</b>	<b>119,148</b>

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**E. Retained earnings**

The General Shareholders' Meeting, held March 24, 2021 and May 11, 2020, approved the capitalization of retained earnings for S/ 229 million and S/ 644 million, respectively, dividend distribution and have an amount of S/ 295 million y S/ 563 million in 'retained earnings,' respectively and dividend distribution for S/ 66 million y S/ 241 million, respectively.

The General Shareholders' Meeting, held March 24, 2021, approved to delegate to the Board of Directors the power to determine the distribution of profits (recognized in 'retained earnings'), as well as the amount and timing provided that it is not necessary to adopt a commitment for the capitalization of such profits.

On September 22, 2021, the Bank's Board of Directors agreed to distribute dividends for S/ 307 million corresponding to the profits of the years 2019 and 2020. They were allocated to 'retained earnings.'

**16. Contingent Risks and Commitments**

As of December 31, this caption comprises the following:

<i>In thousands of soles</i>	<b>2021</b>	<b>2020</b>
<b>Indirect loans</b>		
Guarantees and letters of guarantee	15,647,556	18,938,716
Letters of credit and banker's acceptance	1,411,387	1,450,113
	<b>17,058,943</b>	<b>20,388,829</b>
Unused credit lines and undisbursed loans granted	15,308,712	13,724,115
Various responsibilities	6,379	5,794
	<b>32,374,034</b>	<b>34,118,738</b>

In the normal course of its business, the Bank participates in transactions whose risk is recorded in contingent accounts. These transactions expose the Bank to credit risk, in addition to the amounts presented in the separate statement of financial position.

Credit risk for contingent transactions is related to the probability that a counterparty will fail to meet its obligations in accordance with agreed terms.

The Bank applies similar credit policies when evaluating and granting direct and indirect loans. In management's opinion, contingent transactions do not represent a relevant credit risk since it expects that a portion of these indirect loans expire without being used. The total amount of indirect loans does not necessarily represent future cash outflows for the Bank.

Management estimates that no significant losses will arise, for contingent transactions effective as of December 31, 2021 and 2020.

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**17. Interest Revenue**

This caption comprises the following:

<i>In thousands of soles</i>	<b>2021</b>	<b>2020</b>
Direct loan portfolio	3,989,521	4,033,809
Available-for-sale investments	74,337	91,689
Investments at fair value through profit or loss	58,096	56,088
Profit or loss from hedging transactions	50,876	28,297
Cash and due from banks	30,410	38,099
Interbank funds	547	263
Other finance revenue	5,552	5,334
	<b>4,209,339</b>	<b>4,253,579</b>

**18. Interest Expenses**

This caption comprises the following:

<i>In thousands of soles</i>	<b>2021</b>	<b>2020</b>
Debts and financial obligations	(351,373)	(467,963)
Deposits and obligations	(150,359)	(442,524)
Accounts payable	(95,085)	(87,573)
Deposits with financial institutions	(7,269)	(28,806)
Interbank funds	(738)	(3,231)
Other borrowing costs	(30,363)	(19,167)
	<b>(635,187)</b>	<b>(1,049,264)</b>

**19. Financial Service Income, Net**

This caption comprises the following:

<i>In thousands of soles</i>	<b>2021</b>	<b>2020</b>
<b>Revenue</b>		
Revenue from fees of credit cards	294,514	202,955
Transfer fees	274,243	175,959
Revenue from indirect loans	246,878	210,330
Revenue from fees for collections services	147,518	142,761
Revenue from online banking services for business	56,886	49,896
Revenue from services and maintenance of checking accounts	55,357	53,245
Revenue from technical and legal studies	18,409	14,887
Revenue from advisory services	16,093	17,948
Revenue from cash services	5,279	6,850
Revenue from trust and trust fees	1,469	1,480
Other revenue for services	263,267	234,350
	<b>1,379,913</b>	<b>1,110,661</b>
<b>Expenses</b>		
Expenses for operating with Visa and Mastercard	(138,489)	(106,841)
Premiums to the Deposit Insurance Fund	(107,034)	(91,753)
Customer loyalty program	(82,177)	(57,114)
Guarantee fees - Reactiva Peru program	(69,076)	-
Transfers	(32,942)	(18,062)
Purchase of foreign currency - spot transaction	(12,309)	(7,891)
Expenses of maintenance of checking accounts	(5,299)	(4,222)
Other expenses of services	(91,345)	(47,970)
	<b>(538,671)</b>	<b>(333,853)</b>
	<b>841,242</b>	<b>776,808</b>

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**20. Operating Profit**

This caption comprises the following:

<i>In thousands of soles</i>	<i>Note</i>	<b>2021</b>	<b>2020</b>
Held-for-trading investments		525,563	105
Exchange gains	4	207,722	589,147
Gain on interests	9	62,152	43,023
Available-for-sale investments		(42,079)	21,478
Investments at fair value through profit or loss		(34,229)	26,261
Others		20,845	7,324
		<b>739,974</b>	<b>687,338</b>

**21. Administrative Expenses**

This caption comprises the following:

<i>In thousands of soles</i>	<b>2021</b>	<b>2020</b>
Personnel and Board of Directors expenses	(920,415)	(847,752)
Third Party Service Expenses	(813,430)	(783,930)
Tax and contributions	(50,434)	(45,809)
	<b>(1,784,279)</b>	<b>(1,677,491)</b>

**22. Other Income and Expenses, Net**

As of December 31, 2021 and 2020, it mainly comprises gain on sale of repossessed assets, loss on sale of non-current assets held for sale, expenses on repossessed and recovered assets, loss not covered by insurance, donations granted, revenue from leases, among other income and expenses.

**23. Tax Matters**

***Tax rates***

- A. The Bank is subject to Peruvian tax regime. As of December 31, 2021 and 2020, the corporate income tax is calculated on the basis of the net taxable profits determined by the Bank at a rate of 29.5%.

Through Legislative Decree 1261, published December 10, 2016 and effective January 1, 2017, the corporate income rate was amended to 29.5%.

The aforementioned Decree also established the amendment to the income tax rate applicable to dividend distribution and any other form of profit distribution to 5% for profits generated and distributed from January 1, 2017.

It shall be presumed, without otherwise evidence, that the dividend distribution or any other form of profit distribution corresponds to retained earnings or other items that may generate older taxable dividends.

- B. In accordance with current Peruvian tax law, non-domiciled individuals only pay taxes for their Peruvian source income. Thus, in general terms, income obtained by non-domiciled individuals from the services rendered in Peru shall be subject to a 30% income tax rate on gross income. On this concern, Peru has currently entered into double tax treaties with the Andean Community, Chile, Canada, Brazil, Portugal, Switzerland, Mexico and South Korea.

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Concerning the technical assistance or digital services rendered by non-domiciled individuals to domiciled individuals, regardless of the place where the service is rendered, they shall be subject to a 15% and 30% income tax rate on gross income, respectively. Technical support shall be subject to a 15% applicable rate, provided that Income Tax Law requirements are met.

**Income tax determination**

- C. The Bank computed its tax base for the years ended December 31, 2021 and 2020 and determined current tax for S/ 660 and S/ 494, respectively.

Tax expense comprises the following:

<i>In thousands of soles</i>	<b>2021</b>	<b>2020</b>
Current tax	660,048	493,565
<b>Deferred tax</b>		
Profit or loss	(21,576)	(254,388)
Income tax (adjustment/provision recovery)	27,917	(14,821)
	<b>666,389</b>	<b>224,356</b>

Reconciliation of the effective tax rate to the tax rate is as follows:

<i>In thousands of soles</i>	<b>2021</b>		<b>2020</b>	
<b>Profit before tax</b>	<b>2,225,682</b>	<b>100.00%</b>	<b>879,492</b>	<b>100.00%</b>
Income tax applying tax rate	(656,576)	(29.50%)	(259,450)	(29.50%)
<b>Tax effect on additions (deductions)</b>				
Permanent differences	18,104	0.81%	20,273	2.31%
Others	(27,917)	(1.25%)	14,821	1.69%
<b>Current and deferred tax recorded as per effective rate</b>	<b>(666,389)</b>	<b>(29.94%)</b>	<b>(224,356)</b>	<b>(25.50%)</b>

**Temporary tax on net assets**

- D. The Bank is subject to the temporary tax on net assets, whose tax base is composed of the prior periods adjusted net asset value less depreciations, amortizations, legal reserve requirements and specific provisions for credit risk. The tax rate is 0.4% for the years 2021 and 2020 and is applied to the amount of net assets exceeding S/ 1 million. It may be paid in cash or nine consecutive monthly installments. The amount paid may be used as a credit against payments on account of Income Tax Law for taxable periods from March to December of the fiscal period for which the tax was paid until maturity date of each of the payments on account, and against the payment for regularization of income tax of the corresponding taxable period. In the event a remaining balance is not applied, its refund could be requested. Temporary tax on net assets for the year 2021 amounts to S/ 381 million thousand (2020: S/ 281 million).



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***Financial transaction tax***

- E. Financial transaction tax for the years 2021 and 2020 was fixed at the rate of 0.005%. This tax is applicable to debits and credits in bank accounts or movements in funds made through the financial system unless the account is tax-exempt.

***Transfer pricing***

- F. In determining income tax, transfer pricing with related parties and entities domiciled in territories with low or zero taxation shall be supported with documents and information on the valuation techniques and the criteria used for the pricing. Until taxable year 2016, formal obligations of transfer pricing were the presentation of a transfer pricing sworn statement and a technical study.

Legislative Decree 1312, published December 31, 2016 and effective January 1, 2017, established the following formal obligations to replace the former ones: (i) presentation of a Local File (if accrued revenue of the taxpayer exceeds 2,300 tax units [UIT, for its Spanish acronym]); (ii) presentation of a Master File (if accrued revenue of the taxpayer in a group exceeds 20,000 tax units); and (iii) presentation of a Country-by-Country Reporting. The presentation of the Master File and the Country-by-Country Reporting is mandatory from the taxable year 2018.

Tax Authorities' Resolution 014-2018-SUNAT, published January 18, 2018, approved the Electronic Form 3560 for presentation of the Local File, establishing the deadlines for its presentation and the content and format that shall be included therein.

Thus, the deadline for the presentation of the Local File for the taxable year 2020 shall be June 17, 2021, in accordance with the maturity schedule published by the Tax Authorities. The Local File for the taxable year 2019 shall be presented in June 2020, in accordance with the schedule of monthly tax liabilities agreed upon for May and published by the Tax Authorities.

The content and format of the Local File are stated in the Appendixes I, II, III and IV of Tax Authorities' Resolution 014-2018-SUNAT.

Legislative Decree 1312 also established that intragroup services with low added value shall not have a margin greater than 5% of their costs. Concerning the services rendered between related parties, taxpayers shall comply with the benefit test and provide the documents and information under specific conditions for the deduction of costs or expenses.

Tax Authorities' Resolution 0163-2018-SUNAT, published June 29, 2018, approved the Electronic Form 3561 for presentation of the Master File and the Electronic Form 3562 for presentation of the Country-by-Country Reporting, establishing the deadlines for its presentation and the content and format that shall be included therein.

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The Master File for the taxable year 2020 shall be presented in October 2021, in accordance with the schedule of monthly tax liabilities agreed upon for September and published by the Tax Authorities.

Legislative Decree 1116 established that transfer pricing regulations are not applicable to sales tax.

As of December 31, 2021 and 2020, the Bank is required to present the Local File.

Based on the business analysis, it is the opinion of management and its legal advisors that no significant contingencies will arise as of December 31, 2021 and 2020 from the application of such regulations.

***Tax Assessment***

- G. The Tax Authorities are entitled to audit and, if applicable, to correct the income tax calculated by the Bank within the 4 years following the year of the tax return filing. The Branch's income and sales tax returns for the years from 2017 to 2021 are open for review by the Tax Authorities.

Due to the possible interpretations of the current laws by the Tax Authorities, it is not possible to determine, to date, whether a future tax assessment will result in liabilities for the Bank. Therefore, any major tax or surcharge that might arise from eventual tax assessments would be applied to profit or loss when they are determined. However, it is the opinion of management and its legal advisors that any possible additional settlement of taxes would not be significant for the consolidated financial statements as of December 31, 2021 and 2020.

***Uncertainty over income tax treatments***

- H. In accordance with IFRIC 23, the Group assessed its uncertain tax treatments and concluded, based on its assessment of tax compliance and transfer pricing, that it is probable that the Tax Authorities will accept its uncertain tax treatment. The Interpretation did not have an effect on the Bank and Subsidiaries' consolidated financial statements as of December 31, 2021 and 2020.

***Sales Tax Regime***

- I. Legislative Decree 1347, published January 7, 2017 and effective July 1, 2017, established the possible reduction of 1% in the sales tax, provided that the goal of annual sales tax collection as of May 31, 2017 is reached, net of internal refunds of 7.2% of Gross Domestic Product. Accordingly, if the aforementioned goal is met, the sales tax rate (including the municipal tax) shall be reduced from 18% to 17%.

However, the estimated collection goal was not met at the end of the term, so the sales tax rate shall be held at 18%.

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**Major amendments to tax laws effective for periods beginning on January 1, 2020**

- J. **New accrual concept:** Legislative Decree 1425 introduced the definition of "legal accrual" for income tax purposes, stating that: a) revenue from transfer of goods occurs when i) control has been transferred (under IFRS 15); or ii) risk has been transferred to the acquirer (Risk Theory set out in the Civil Code), whichever occurs first; and b) revenue from rendering the service occurs when realization level of the rendered service has been established.

The new legal accrual concept is applicable to lessees when determining the tax treatment of the expense associated with leases regulated by IFRS 16—i.e., operating leases for tax purposes.

This concept shall not be applicable for those entities accruing income or expenses for income tax purposes in accordance with tax laws establishing a special (sector) accrual system.

- K. **Deduction of expenses or costs incurred in transactions with non-domiciled individuals** Legislative Decree 1369 states that costs and/or expenses (including outbound interest) incurred with non-domiciled individuals shall be paid effectively to be deducted in the period in which they are incurred. Otherwise, their effect on the determination of net income shall be deducted in the period they are actually paid, and the relevant withholding shall be applied.

Such regulation abolished the obligation to pay the amount equivalent to the withholding on the amount recognized as cost and/or expense.

- L. **Indirect loans:** From January 1, 2019, under certain requirements, domiciled entities receiving foreign inbound dividends may deduct as direct loan the income tax that taxed the foreign dividends and the corporate income tax (indirect loan) paid by the tier 1 and tier 2 non-domiciled entity (provided that they are in the same jurisdiction) that distributed the dividends from abroad.

- M. **Measures to implement the General Anti-avoidance Rule provided in the Regulation XVI of Tax Code:** Legislative Decree 1422 sets up the procedure to implement the General Anti-avoidance Rule, mainly stating that: (i) it is applicable only in final audit procedures in which acts, events or situations that occurred since July 19, 2012 are reviewed; (ii) it is applicable only if there is a favorable opinion (unappealable) from a review committee composed of Tax Authorities' officers; and (iii) final audit procedures, in which the General Anti-avoidance Rule is applicable, are not subject to a 1-year term to request information from the audited parties.

Supreme Decree 145-2019-EF, dated May 6, 2019 and published on the official daily newspaper of Peru "El Peruano," approved all the formal and substantial parameters for the application of the General Anti-avoidance Rule provided in the Regulation XVI of Tax Code. Consequently, the requirement to end the suspension of the application for such rule, established by Law 30230, is deemed as complied with. Likewise, the Regulation on Tax Assessment has been modified for such purposes.

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Through Superintendence Resolution 000184-2021/SUNAT published on December 13, 2021, the members of the Review Committee of the Tax Authorities referred to in article 62-C of the Single Ordered Text were appointed of the Tax Code, which states that when applying the Anti-Avoidance Rule in an audit procedure, a report must be submitted together with the audit file to the Review Committee.

N. **Joint and several liability of legal representatives and directors**

From September 14, 2018, through Legislative Decree 1422, when an audited individual is subject to the General Anti-Avoidance Rule, there is joint and several liability of legal representatives due to fraud, gross negligence or misuse of powers, unless proven otherwise. The aforementioned joint and several liability shall be attributed to such representatives provided that they collaborated with the design or approval or execution of acts, situations or economic relationships with an avoidance purpose.

Such regulation also involves the members of the Board of Directors, since it is stated that these individuals are responsible for setting the tax strategy of the entities where they are directors. Thus, the latter are responsible for determining whether to approve the acts, situations or economic relationships carried out within the tax planning framework, and finally they shall not delegate such liability.

Lastly, members of the domiciled entities' Board of Directors were granted a term (until March 29, 2019) to verify or modify the acts, situations or economic relationships carried out within the tax planning framework and implemented from September 14, 2018 that are effective to date.

Considering the aforementioned joint and several liability attributable to legal representatives and directors, and the absence of a definition of "tax planning," it will be crucial to review any act, situation or economic relationship that has: (i) increased tax attributes; and/or (ii) generated a lower payment of taxes of such periods, in order to avoid the attribution of joint and several liability, both administratively and punitively, depending on the supervisory agent criterion. The latter in case the entity to be audited by the Tax Authorities is subject to the General Anti-Avoidance Rule.

- O. **Information related to ultimate beneficiaries** In line with the regulations to strengthen the fight against tax evasion and avoidance, as well as against money laundering and terrorism financing, from August 3, 2018, provisions introduced by Legislative Decree 1372 are currently in force. The aforementioned Decree requires the presentation of information related to ultimate beneficiaries to the competent authorities through a sworn statement of the ultimate beneficiaries. Such statement shall disclose the names of the natural persons that effectively retain ownership or control. Thus, it is mandatory to report the following: (i) identification of the ultimate beneficiaries; (ii) chain of title with its respective supporting documents; and (iii) identification of third parties that have such information, if applicable. Also, it states that the information related to the identification of the ultimate beneficiaries of legal persons and legal entities provided to the competent authorities under these regulations neither violates professional secrecy nor is subject to restrictions on the disclosure of information arising from secrecy requirements under contracts or any regulatory provision.

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Lastly, if the informative sworn statement with the information related to the ultimate beneficiaries is not presented, the legal representatives of the entity that failed to comply with the presentation of such statement shall assume the joint and several liability.

- P. **Indirect transfer of shares:** From January 1, 2019, an anti-avoidance measure is included to prevent the split of transactions, which allows indirect transfer of shares of entities domiciled in Peru.

In order to determine if a Peruvian entity has made a transfer within a 12-month period of 10% or more of capital, transfers of the analyzed entity and transfers to related parties shall be considered, whether transfers are made through one or several (simultaneous or successive) transactions. The relationship shall be set up in accordance with the provisions of section b) of Article 32-A of Income Tax Law.

Likewise, regardless of compliance with the provisions of the Income Tax Law, an indirect taxable transfer shall always be established when, over any 12-month period, the total amount of transferred shares of the Peruvian legal person is equal to or greater than 40,000 UIT.

Lastly, as of January 1, 2019, when the transferor is a non-domiciled legal person that has a branch office or any permanent establishment in Peru with allocated equity, the latter is considered a jointly liable party. Thus, the latter is required to provide information, among others, regarding the transferred shares or interests of the non-domiciled legal person.

**Major amendments to tax laws effective for periods beginning in 2021**

- Q. **Depreciation of assets**  
Legislative Decree 1488 established a special depreciation regime and modified depreciation periods by increasing depreciation rates for assets acquired during the years 2020 and 2021 to promote private sector investment and provide greater liquidity given the economic outlook due to the COVID-19 pandemic.

- R. **Thin capitalization**  
From January 1, 2021, borrowing costs shall be deductible up to 30% of the tax-EBITDA (Net Income – Loss Compensation + Net Interest + Depreciation + Amortization) of the prior period. There are some exemptions regarding this 30% limit for banks, taxpayers whose income is lower than 2,500 tax units, infrastructure, public utilities, among others.

Supreme Decree 402-2021, published December 30 and effective December 31, 2021, modified the Regulation on the Income Tax Law that regulates the calculation of tax-EBITDA for the purpose of setting interest rate limits.

From 2019 to December 31, 2020, borrowing costs generated by debts of independent and related parties are subject to the thin capitalization limit of 3:1 debt-to-equity ratio, which is calculated at the end of the prior period.

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S. ***Other significant changes***

On December 30, 2021, as part of the delegation of powers to make tax, financial and economic recovery laws given to the executive branch (Law 31380), the first tax laws were published, including the tax benefits approved for the fishing and wood industries, the price standardization for tax stability and the extension of the sales tax exemptions. They also include the following:

The term of some tax exemptions and benefits was extended as follows:

- The term of tax exemptions included in Appendixes I and II of the Sales Tax Law was extended until December 31, 2022. Consequently, the sale of staple food and basic services—e.g., public transport, among others—will not be subject to sales tax.
- The issuance of e-money will not be subject to sales tax until December 31, 2024.
- Until December 31, 2024, the refund of taxes levied on acquisitions with donations from abroad and imports from diplomatic missions is allowed. Link to the rule in the comments: Legislative Decree 1519.

Likewise, through Supreme Decree 1516 published on December 30, 2021 and in force as of December 31, 2021, it has been arranged to standardize the cost for access to the stability provided for in the Legal Stability Agreements under the Decrees Legislative 662 and 757, therefore said decree has modified article 1 of Law No. 27342 that regulates said agreements, therefore the companies that receive investment sign with the Peruvian government, stabilize the Income Tax that corresponds apply in accordance with the regulations in force at the time of signing the corresponding agreement, being applicable the current rate referred to in the first paragraph of article 55 of the Income Tax Law at that time plus 2 percentage points .

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**24. Deferred Tax**

Deferred tax has been calculated applying the liability method, and is attributed to the following items:

<i>In thousands of soles</i>	<b>Balance as of 01.01.2020</b>	<b>Additions to (recoveries of) equity</b>	<b>Additions (recoveries) to profit or loss</b>	<b>Balance as of 12.31.2020</b>	<b>Additions to (recoveries of) equity</b>	<b>Additions (recoveries) to profit or loss</b>	<b>Balance as of 12.31.2021</b>
<b>Assets</b>							
Provision for direct loan losses	297,155	-	163,225	460,380	-	29,677	490,057
Provision for indirect loan losses	41,676	-	1,650	43,326	-	(3,886)	39,440
Provision for awarded assets	48,817	-	(2,633)	46,184	-	(5,625)	40,559
Specific provision for indirect loan losses	28,635	-	2,362	30,997	-	5,554	36,551
Provision for other expenses and others	62,570	-	39,553	102,123	-	36,709	138,832
Labor provisions	80,822	(4,866)	16,565	92,521	(4,592)	19,469	107,398
Interest in suspense	278	-	-	278	-	-	278
Available-for-sale investments	5,191	-	-	5,191	-	-	5,191
Cash flow hedges	2,131	-	-	2,131	-	-	2,131
Recovery of loans and issuance	2,579	-	24,006	26,585	-	(15,627)	10,958
	<b>569,854</b>	<b>(4,866)</b>	<b>244,728</b>	<b>809,716</b>	<b>(4,592)</b>	<b>66,271</b>	<b>871,395</b>
<b>Liabilities</b>							
Recovery of loans and issuance	-	-	-	-	-	-	-
Cash flow hedges	(270)	(4,352)	-	(4,622)	4,499	-	(123)
Intangible assets / deferred charges	(112,970)	-	12,515	(100,455)	-	(21,266)	(121,721)
Available-for-sale investments	-	(5,512)	-	(5,512)	437	-	(5,075)
Tax deduction of property, furniture and equipment	(8,687)	-	2,642	(6,045)	-	(3,296)	(9,341)
Equalization of exchange assets and liabilities	(13,605)	-	(5,497)	(19,102)	-	(20,133)	(39,235)
	<b>(135,532)</b>	<b>(9,864)</b>	<b>9,660</b>	<b>(135,736)</b>	<b>4,936</b>	<b>(44,695)</b>	<b>(175,495)</b>
<b>Deferred tax asset, net</b>	<b>434,322</b>	<b>(14,730)</b>	<b>254,388</b>	<b>673,980</b>	<b>344</b>	<b>21,576</b>	<b>695,900</b>

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**25. Earnings per Share**

The calculation of weighted average amount of shares and earnings per share as of December 31 is as follows:

<i>In thousands of</i>	<b>Outstanding shares</b>	<b>Weighted average number of basic share</b>	<b>Effective days until year-end</b>	<b>Weighted average number of ordinary shares</b>
<b>2021</b>				
Balance as of January 1, 2021	6,529,169	6,529,169	360	6,529,169
Capitalization of 2020 profit or loss	229,298	229,298	360	229,298
<b>Balance as of December 31, 2021</b>	<b>6,758,467</b>	<b>6,758,467</b>		<b>6,758,467</b>
<b>2020</b>				
Balance as of January 1, 2020	5,885,209	5,885,209	360	5,885,209
Capitalization of 2019 profit or loss	643,960	643,960	360	643,960
Capitalization of 2020 profit or loss	229,298	229,298	360	229,298
<b>Balance as of December 31, 2020</b>	<b>6,758,467</b>	<b>6,758,467</b>		<b>6,758,467</b>

As of December 31, 2021 and 2020, earnings per share calculated on the base of the weighted average number of shares amounted to S/ 0.2307 and S/ 0.0969, respectively.



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**26. Related Party Transactions**

As of December 31, 2021 and 2020, the separate financial statements include related party transactions, which, under IAS 24 and SBS regulations, comprise the Parent Company, subsidiaries, related parties, associates, other related parties, and the Bank's directors and key management. All related party transactions are conducted in accordance with market conditions applicable to non-related third parties.

(a) The balances of the Bank's separate statement of financial position arising from related parties as of December 31, were as follows:

	2021						2020					
	Controlling Party	Subsidiaries	Related parties (*)	Associates	Key personnel and directors	Total	Controlling Party	Subsidiaries	Related parties (*)	Associates	Key personnel and directors	Total
<i>In thousands of soles</i>												
<b>Assets</b>												
Cash and due from banks	364,274	-	-	-	-	364,274	207,721	-	-	-	-	207,721
Loan portfolio, net	-	134,480	812,606	11,783	26,473	985,342	-	276,057	358,129	32,824	24,571	691,581
Held-for-trading instruments	487,180	-	107,829	-	-	595,009	322,397	-	80,325	-	-	402,722
Net asset position	544,682	20,167	52,013	-	-	616,862	195,313	26,409	33,235	4,207	-	259,164
<b>Total assets</b>	<b>1,396,136</b>	<b>154,647</b>	<b>972,448</b>	<b>11,783</b>	<b>26,473</b>	<b>2,561,487</b>	<b>725,431</b>	<b>302,466</b>	<b>471,689</b>	<b>37,031</b>	<b>24,571</b>	<b>1,561,188</b>
<b>Liabilities</b>												
Deposits and obligations in financial institutions	123,188	193,579	370,874	803	206,824	895,268	91,266	99,189	807,398	331	94,682	1,092,866
Debts and financial obligations	819,131	-	-	-	-	819,131	-	-	-	-	-	-
Held-for-trading instruments	1,071,514	-	1,816	-	-	1,073,330	511,778	-	380	-	-	512,158
Provisions and other liabilities	60,158	1,136	139,400	-	-	200,694	25,981	210	15,825	35	8	42,059
<b>Total liabilities</b>	<b>2,073,991</b>	<b>194,715</b>	<b>512,090</b>	<b>803</b>	<b>206,824</b>	<b>2,988,423</b>	<b>629,025</b>	<b>99,399</b>	<b>823,603</b>	<b>366</b>	<b>94,690</b>	<b>1,647,083</b>
<b>Off-balance sheet accounts</b>												
Indirect loans	-	293,287	21,932	14,213	-	329,432	-	317,506	353,276	317	1,539	672,638
Hedging instruments	22,852,867	-	498,037	-	-	23,350,904	17,759,685	-	23,252	-	-	17,782,937

(\*) It includes balances and transactions with other related parties in accordance with IAS 24 and SBS regulations.

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(b) The effects of related party transactions in the Bank's separate statement of financial position are detailed below for the year ended December 31:

	2021						2020					
	Controlling party	Subsidiaries	Related parties (*)	Associates	Key personnel and directors	Total	Controlling Party	Subsidiaries	Related parties (*)	Associates	Key personnel and directors	Total
<i>In thousands of soles</i>												
Interest income	-	4,338	1,820	39	122	6,319	-	9,268	1,231	68	106	10,673
Interest expense	-	(17,770)	(14,352)	-	(26)	(32,148)	-	(15,299)	(8,471)	-	(62)	(23,832)
<b>Profit margin</b>	<b>-</b>	<b>(13,432)</b>	<b>(12,532)</b>	<b>39</b>	<b>96</b>	<b>(25,829)</b>	<b>-</b>	<b>(6,031)</b>	<b>(7,240)</b>	<b>68</b>	<b>44</b>	<b>(13,159)</b>
Financial service income	229	31,522	682	-	37	32,470	1,937	35,256	1,991	-	41	39,225
Financial service expenses	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net commissions</b>	<b>229</b>	<b>31,522</b>	<b>682</b>	<b>-</b>	<b>37</b>	<b>32,470</b>	<b>1,937</b>	<b>35,256</b>	<b>1,991</b>	<b>-</b>	<b>41</b>	<b>39,225</b>
Net profit or loss from financial transactions	(9,315)	-	(3,434)	-	4	(12,745)	(8,003)	-	(1,984)	-	4	(9,983)
Administrative expenses	(49,057)	(90)	(107,545)	-	-	(156,692)	(28,048)	(77)	(75,436)	-	-	(103,561)
Other income, net	-	(1,635)	11	-	-	(1,624)	-	(1,334)	277	-	-	(1,057)
<b>Other income and expenses</b>	<b>(58,372)</b>	<b>(1,725)</b>	<b>(110,968)</b>	<b>-</b>	<b>4</b>	<b>(171,061)</b>	<b>(36,051)</b>	<b>(1,411)</b>	<b>(77,143)</b>	<b>-</b>	<b>4</b>	<b>(114,601)</b>

(\*) It includes balances and transactions with other related parties in accordance with IAS 24.

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- (c) Loans to personnel and remunerations to key personnel  
As of December 31, 2021 and 2020, Board of Directors, executives and employees of the Bank hold allowed loan transactions pursuant to the Banking Law, which regulates and establishes certain limits to transactions with members of the Board of Directors, executives and employees of financial entities in Peru. As of December 31, 2021 and 2020, direct loans granted to employees, directors, executives and key personnel amount to S/ 562 million and S/ 496 million, respectively.

Likewise, as of December 31, 2021 and 2020, remuneration to key personnel and expenses allowance for the board of Director amount to S/ 16 million and S/ 11 million, respectively.

**27. Trust Activities**

The Bank offers structuring and management services of trust operations and trust fees, and is in charge of the preparation of agreements related to these operations. Assets held in trust are not included in the separate financial statements. The Bank is responsible for the appropriate management of these trusts based on the limits established by applicable laws and the respective agreement. As of December 31, 2021, the value of assets in trusts and trust fees amounts to S/ 4,881 million (2020: S/ 4,689 million).

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**28. Classification of Financial Instruments**

The Bank classifies its financial assets and financial liabilities into categories as described in note 3. As of December 31, financial assets and financial liabilities are classified as follows:

	2021					
	At fair value through profit or loss		Loans and accounts receivable	Available-for-sale		Hedging instruments
	Held-for- trading	Allocated at inception		At amortized cost (*)	Fair value	
<i>In thousands of soles</i>						
<b>Assets</b>						
Cash and due from banks	-	-	16,247,884	-	-	-
Interbank funds	-	-	-	-	-	-
Investments	4,129,581	-	-	1,122	5,579,324	-
Equity instruments	-	-	-	1,122	24,850	-
Debt instruments	4,129,581	-	-	-	5,554,474	-
Loan portfolio	-	-	70,381,769	-	-	-
Held-for-trading instruments	1,767,732	-	-	-	-	-
Hedging instruments	-	-	-	-	-	75,805
Accounts receivable	-	-	34,085	-	-	-
Other assets	-	-	709,217	-	-	-
	<b>5,897,313</b>	-	<b>87,372,955</b>	<b>1,122</b>	<b>5,579,324</b>	<b>75,805</b>

(\*) It includes investments measured at cost.

	2021				
	At fair value through profit or loss		At amortized cost	Other liabilities	Hedging instruments
	Held-for- trading	Allocated at inception			
<i>In thousands of soles</i>					
<b>Liabilities</b>					
Deposits and obligations	-	-	63,104,788	-	-
Interbank funds	-	-	-	-	-
Deposits with financial institutions and international financial institutions	-	-	1,025,571	-	-
Debts and financial obligations	-	-	6,989,674	-	-
Held-for-trading instruments	1,572,020	-	-	-	-
Hedging instruments	-	-	-	-	35,059
Accounts payable	-	-	17,108,830	-	-
	<b>1,572,020</b>	-	<b>88,228,863</b>	-	<b>35,059</b>

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<i>In thousands of soles</i>	2020					
	At fair value through profit or loss		Loans and accounts receivable	Available-for-sale		Hedging instruments
	Held-for- trading	Allocated at inception		At amortized cost (*)	Fair value	
<b>Assets</b>						
Cash and due from banks	-	-	24,929,883	-	-	-
Interbank funds	-	-	137,599	-	-	-
<b>Investments:</b>						
Equity instruments	-	-	-	1,122	22,200	-
Debt instruments	4,679,056	-	-	-	6,668,714	-
Loan portfolio	-	-	66,446,955	-	-	-
Held-for-trading instruments	898,595	-	-	-	-	-
Hedging instruments	-	-	-	-	-	103,354
Accounts receivable	-	-	45,454	-	-	-
Other assets	-	-	900,064	-	-	-
	<b>5,577,651</b>	<b>-</b>	<b>92,459,955</b>	<b>1,122</b>	<b>6,690,914</b>	<b>103,354</b>

(\*) It includes investments measured at cost.

<i>In thousands of soles</i>	2020				
	At fair value through profit or loss		At amortized cost	Other liabilities	Hedging instruments
	Held-for- trading	Allocated at inception			
<b>Liabilities</b>					
Deposits and obligations	-	-	70,812,534	-	-
Interbank funds	-	-	72,421	-	-
Deposits with financial institutions and international financial institutions	-	-	1,493,066	-	-
Debts and financial obligations	-	-	7,030,231	-	-
Held-for-trading instruments	876,395	-	-	-	-
Hedging instruments	-	-	-	-	14,633
Accounts payable	-	-	16,006,719	-	-
	<b>876,395</b>	<b>-</b>	<b>95,414,971</b>	<b>-</b>	<b>14,633</b>

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## **29. Financial Risk Management**

Financial risk management is fundamental on the Bank's strategy since it guarantees its creditworthiness and sustainable development. The Bank's risk profile has been established in accordance with the strategy and policies of the BBVA Group, and considers a unique, independent and global risk management model.

- **Unique:** Focused on a sole objective. Risk appetite supported in fundamental metrics, limits for portfolios and economic sectors, and indicators for the management and monitoring of portfolios, is determined.
- **Independent:** It is independent and complementary to the business. The process of adapting the risk area allows to closely monitor the business and thus detect opportunities.
- **Global:** The Bank has a flexible risk model that can be used for all risk, in all countries and for all business.

For effective management with a comprehensive vision, the risk area of the BBVA Peru Group is structured by type of risk: admission of retail and wholesale risks, monitoring, collections and recoveries, structural, market and fiduciary risks; and with the aim of seeking synergies and greater integration of the processes that range from strategy, planning, to the implementation of management models and tools, the Risk Solution and Risk Transformation team consolidates cross-cutting functions that support management. Finally, the Portfolio Management, Data & Reporting team is responsible for the continuous oversight and monitoring of key risk indicators.

During the year, the new internal control and compliance area was created. Its objective is to ensure proper management of internal control and compliance, as well as relations with authorities. Such area includes the Internal Control and Non-Financial Risk teams, which previously belonged to the Risk area.

This year, due to the country's situation for the COVID-19 outbreak, risk management has been focused on the crisis management from all fronts:

- Portfolio management under the guidelines defined by the SBS and the Government, adaptation of management and monitoring reports according to the new needs of the situation.
- Permanent follow up and monitoring of the liquidity risks.
- From the wholesale and retail Admission, permanent review and adjustment of the admission policies, rescheduling modalities carrying out the portfolio diagnosis, segmentation and action plans according to the criticality identified.
- The follow up and management of collection has had a preventive and anticipatory approach, which is oriented to the most vulnerable and affected sectors. Specialized teams have been implemented to manage the collections by implementing differentiated strategies according to the portfolio. Therefore, a good containment level of the rescheduled portfolio has been achieved.
- Under the non-financial risk management, control of the measures and decisions are taken in order to mitigate operational risks.

### **Credit risk**

The Bank's risk management system is based on a corporate governance scheme in which the BBVA Group determines the policies for managing and controlling the risk of retail and wholesale loans, which are adapted to local regulations and reality.

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The structure of the risk area for credit risk management is as follows:

- **Portfolio Management, Data & Reporting:** It is responsible for the continuous oversight and monitoring of key risk indicators.

The Reporting, Monitoring & Data team is responsible for the continuous oversight and monitoring of key risk indicators of portfolios based on the entity's strategies and risk appetite. It ensures timely measurement and communication with the relevant authorities, as well as adequate management and compliance with the risk appetite framework.

The Measurement team is responsible for the calculation of the key risk indicators, including the measurement of credit risk indicators related to provisions, regulatory capital, economic capital and risk-adjusted return.

The Risk Advance Analytics team, under the Center of Expertise (CoE), is responsible for the developing of models supporting different credit processes for the development of the risk function.

In August 2021, the Data Quality team was created. It is responsible for ensuring data quality in the calculation and reporting processes at a risk level. The focus is placed on creating a data governance model at the entity level and ensuring compliance with quality rules.

- **Risk Solution:** It manages the portfolio of projects in the Risk area. It ensures its definition, prioritization, execution and startup.
- **Risk Transformation:** It is the team responsible for ensuring the execution and continuous improvement of the dependent processes, complying with the defined and committed quality and productivity standards. As part of the process organization, it must seek efficiency and synergy between the services involved.
- **Retail Loan:** It manages retail credit risk, in accordance with the Bank's strategic objectives, and monitors the risk quality of transactions. Such management includes the following:

Definition of customer admission requirements for the retail segment.

Study of the results of consumer behavior, segments and campaigns, analyzing their evolutions and developments.

Develop and improve risk culture at the entity level, focusing on continuous training programs, development of skills of professionals in the commercial areas and risk professionals.

Ensure, through an interrelationship with the different business areas and internal and external supervisory authorities, compliance with credit risk policies and the Bank's risk appetite framework.

Provide and promote continuous improvements in processes, tools and regulations for effective credit risk management.

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Warning signs and high-risk groups are detected based on statistical data and monitoring management of risk portfolios of natural and legal persons.

Data is analyzed to generate offers to potential customer profiles that meet the Bank's appetite, through advanced computer tools, which allow provisioning, validating and implementing strategies for the creation of campaigns for natural persons and SMEs.

- **Wholesale Loan:** It manages credit risk in the business segments of the Retail Network, Business Banking, Institutions, Global Customers, Intermediary Financial Institutions and the Real Estate Sector, integrating the phases of origination, admission and follow-up, in accordance with the guidelines defined in the Wholesale Credit Risk Policy.

Based on the Group's strategies, the challenges of the local market due to the COVID-19 pandemic and the COVID-19 government measures, the Bank strengthened the control of asset allocation constraints and sector profiles, consistent with risk appetite and together with the evolution of the COVID-19 pandemic and the resumption of economic activities.

Likewise, the portfolio diversification was promoted through the containment of the portfolio, the selection of best profiles and the monitoring of concentration thresholds by sectors, and prioritizing the risk-adjusted return. Accordingly, different strategies were developed in the network of offices, such as preventive action focused on collections and identification and redirection of business opportunities.

The segmentation of the admission team was divided into two groups, maintaining the agile organization structure:

- Stage 1: It acts with a principal axis analysis under sector groups, while maintaining specialization by segment.
- Stage 2 and business monitoring: It operates under a preventive management approach, along with strategies to maintain and/or reduce portfolio risk, and contains impairment by structuring suitable financial solutions.

The Portfolio Management team focused on segmenting the portfolio by vulnerability and sensitivity, incorporating quantitative and qualitative variables, and detecting signs at a sector level. Likewise, particular emphasis was placed on the development of dashboards with useful information for credit risk management and protocols for the attention of the government assistance programs. From 2021, the team was divided into Strategies and Governance to have a more focused management.

It should be noted that the Rating, Risk Analyst and Early Warning tools provide a significant support in decision-making. Likewise, the Authorized Financing Program and the Digital Financing Program, used in Business and Corporate Banking segments, respectively, continued as digital platforms for the preparation and analysis of credit proposals.

- **Collection, Mitigation & Workout:** It groups together the functions and processes necessary for the monitoring, non-payment containment, collection, recoveries and the divestment of the portfolio with problems, both from retail and wholesale banking, achieving crossway efficiencies in the processes, as well as in the external management channels (collection agencies, calls, and law firms) and internal (network of offices).



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The portfolio with problems is managed through a focused strategy that defines actions for each segment and for each stage of the credit life cycle, based on refinancing policies, repossessed assets and payment agreements with customers, in order to reduce the provision expense and default levels.

Financing risk management in the COVID-19 context:

- **Anticipate Plan:** It is made up of four executives from the commercial banking network and a risk leader. In 2021, it managed a portfolio of 262 customers to provide them rescheduling or refinancing solutions and financing facilities that allow the normalization of their activity and compliance with the financing facilities granted. This specialized management resulted in the agreement of debt rescheduling and refinancing of 610 loans, allowing the negotiated extinction of positions with 31 high-risk customers and reduction of direct and indirect risk by S/ 252 million. In 2022, this financial assistance will continue to be provided to customers and to the wholesale segment in risk quality management.
- **Solution plan:** The executives of the Solution team are responsible for the recovery activities and collection team. It is led by 13 heads whose objective is the location of the main customers, diagnosis and redirection of operations through rescheduling or refinancing.

The retail portfolio segmentation was carried out considering the impact and materiality matrices (debt ranges) for the private, SME and retail portfolio. In addition, collection management differs whether the portfolio was rescheduled, refinanced or a government fund. The impact level is assessed through a collection score that allows to identify the non-performance risk levels of customers.

- **Collection Plan (external agencies):** The implant model remains in force (virtual presence of the BBVA supervisor in the daily activities of collection agencies). This model guarantees the continuous monitoring of key performance indicators for compliance with the Bank's strategies. In addition, the motivation of human resource management is maintained by rewarding and recognizing the best call center agents. The portfolio allocation model has recently been modified in preventive and unpaid stages in order to recognize not only the leadership of suppliers, but also the dispersion in performance results in bimonthly assessment periods.

In 2021, the Collection Factory was consolidated, the implant model was reinforced, and the program was 100% completed. Also, the collection score was integrated into the collection strategies for all portfolios from the preventive stage to the unpaid stage, emphasizing the management of loans of the Reactiva Peru program, since the lowest ratio of past-due loans of the Reactiva Peru program was achieved in the financial system at the end of November 2021, together with an execution of honors, containment of past-due loans and saving of provisions in a situation adverse. A management system was developed for the legal portfolio to improve the monitoring and negotiation with customers and suppliers, and a strong flow was established for the write-offs of loans greater than 3 tax units corresponding to bad debts. The first execution was in June 2021. Lastly, new methods of refinancing were developed for customers—e.g., refinancing over the phone, specific products such as loan commitment, loan refinanced with a grace period and special debt relief.

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**Maximum exposure to credit risk**

As of December 31, the maximum exposure to credit risk is as follows:

<i>In thousands of soles</i>	<b>2021</b>	<b>2020</b>
Cash and due from banks	16,247,884	24,929,883
Interbank funds	-	137,599
Investments at fair value through profit or loss	4,129,581	4,679,056
Available-for-sale investments	5,580,446	6,692,036
Loan portfolio	70,381,769	66,446,955
Held-for-trading instruments	1,767,732	898,595
Hedging instruments	75,805	103,354
Accounts receivable	34,085	45,454
Other assets	709,217	900,064
	<b>98,926,519</b>	<b>104,832,996</b>

**Guarantees received**

The requirement of guarantees may be a necessary instrument, but not sufficient for the granting of risks, and its acceptance is complementary to the credit process, which requires and mainly weighs the prior verification of the debtor's ability to pay or whether can generate the sufficient resources to allow the amortization of the risk incurred and under the agreed conditions.

The procedures for the management and valuation of the guarantees received for the loans granted to customer are indicated in the Guarantee Regulation that includes the policies for the admission of guarantees, as well as the basic principles for their constitution, maintenance and release. This regulation establishes that the guarantees must be properly instrumented and registered, ensuring that they are in force and that they have insurance policies, in strict compliance with the regulations established by the regulator.

The valuation of the guarantees is governed by the principle of prudence, which implies the use of appraisal reports in real estate guarantees, market prices in securities, quotes in shares in investment funds, among others. This principle establishes internal milestones that may be more conservative than those contemplated by local regulations, and under which the value of the guarantees is updated.

<i>In thousands of soles</i>	<b>2021</b>	<b>%</b>	<b>2020</b>	<b>%</b>
Mortgages	24,729,658	33%	22,639,889	32%
Endorsements and letters of guarantee received	9,142,676	12%	11,925,213	17%
Finance lease	3,816,240	5%	3,772,204	5%
Self-liquidating collaterals	468,380	1%	512,970	1%
Vehicle, industrial, agricultural pledges and others	42,790	-	26,486	-
Rest of guarantees	16,431,824	22%	15,581,259	22%
<b>Guaranteed loans</b>	<b>54,631,568</b>	<b>73%</b>	<b>54,458,021</b>	<b>77%</b>
<b>Non-guaranteed loans</b>	<b>19,814,106</b>	<b>27%</b>	<b>15,914,412</b>	<b>23%</b>
	<b>74,445,674</b>	<b>100%</b>	<b>70,372,433</b>	<b>100%</b>

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**Credit quality of the loan portfolio**

The segmentation of the loan portfolio into "Not past due or impaired", "Past due but not impaired" and "Impaired" is presented as follows:

	2021						2020					
	Wholesale loans	Small and micro-business loans	Consumer loans	Mortgage loans	Total	%	Wholesale loans	Small and micro-business loans	Consumer loans	Mortgage loans	Total	%
<i>In thousands of soles</i>												
<b>Non past-due nor impaired loans</b>	<b>45,504,657</b>	<b>2,647,754</b>	<b>7,296,750</b>	<b>13,496,568</b>	<b>68,945,729</b>	<b>99</b>	<b>43,696,767</b>	<b>3,356,781</b>	<b>5,913,024</b>	<b>12,669,372</b>	<b>65,635,944</b>	<b>99</b>
Standard	43,968,160	2,577,528	7,204,745	13,290,174	67,040,607	96	42,357,370	3,327,084	5,807,279	12,499,191	63,990,924	97
With potential problems	1,536,497	70,226	92,005	206,394	1,905,122	3	1,339,397	29,697	105,745	170,181	1,645,020	2
Substandard	-	-	-	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-	-	-	-
<b>Non past-due nor impaired loans</b>	<b>98,795</b>	<b>5</b>	<b>3</b>	<b>759</b>	<b>99,562</b>	<b>-</b>	<b>25,892</b>	<b>948</b>	<b>1</b>	<b>841</b>	<b>27,682</b>	<b>-</b>
Standard	31,692	4	2	-	31,698	-	11,908	865	1	3	12,777	-
With potential problems	67,103	1	1	759	67,864	-	13,984	83	-	838	14,905	-
Substandard	-	-	-	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-	-	-	-
<b>Impaired loans</b>	<b>3,804,019</b>	<b>292,186</b>	<b>417,529</b>	<b>886,649</b>	<b>5,400,383</b>	<b>8</b>	<b>2,930,855</b>	<b>228,715</b>	<b>658,451</b>	<b>890,786</b>	<b>4,708,807</b>	<b>7</b>
Standard	3,294	2	16	-	3,312	-	7,275	-	-	-	7,275	-
With potential problems	638,444	-	9	-	638,453	1	494,254	91	8	-	494,353	1
Substandard	838,795	38,079	76,856	201,271	1,155,001	2	729,586	32,250	96,392	230,788	1,089,016	2
Doubtful	779,147	51,203	163,601	245,173	1,239,125	2	306,636	54,424	251,300	262,335	874,695	1
Loss	1,544,339	202,902	177,047	440,205	2,364,492	3	1,393,104	141,950	310,751	397,663	2,243,468	3
<b>Gross loan portfolio</b>	<b>49,407,471</b>	<b>2,939,945</b>	<b>7,714,282</b>	<b>14,383,976</b>	<b>74,445,674</b>	<b>107</b>	<b>46,653,514</b>	<b>3,586,444</b>	<b>6,571,476</b>	<b>13,560,999</b>	<b>70,372,433</b>	<b>106</b>
Less: provisions	(3,032,007)	(238,507)	(634,813)	(700,509)	(4,605,836)	(7)	(2,608,517)	(203,418)	(861,210)	(690,901)	(4,364,046)	(6)
<b>Net portfolio</b>	<b>46,375,464</b>	<b>2,701,438</b>	<b>7,079,469</b>	<b>13,683,467</b>	<b>69,839,838</b>	<b>100</b>	<b>44,044,997</b>	<b>3,383,026</b>	<b>5,710,266</b>	<b>12,870,098</b>	<b>66,008,387</b>	<b>100</b>

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Criteria to determine if a loan is impaired are the following:

<b>Type of debtor</b>	<b>Impairment criteria</b>
Retail	Loans past due over 90 days. Debtor is rated as deficient, doubtful or loss.
Wholesale	Debtor is rated as deficient, doubtful or loss. Rescheduled or refinancing loans.

The specific provisions associated with transactions that as of December 31, 2021 have been classified as past due and non-impaired loans and impaired loans amount to S/ 2,845 million (2019: S/ 2,699 million).

In 2021 and 2020, customer transactions that throughout said periods were classified as past due and not impaired loans and as impaired loans have generated finance revenue of S/ 182 million and S/ 121 million, respectively.

As of December 31, 2021 and 2020, the guarantees of past due and non-impaired loans and impaired loans amount to S/ 2,718 million and S/ 2,085 million, respectively, of which S/ 2,626 million and S/ 1,963 million correspond to mortgage loans.

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As of December 31, 2021 and 2020, past due and non-impaired loans amounts to S/ 100 million and S/ 28 million, respectively. The breakdown of the referred credits according to days of arrears is shown below:

<i>In thousands of soles</i>	<b>2021</b>				<b>2020</b>			
	<b>16 - 30</b>	<b>31 - 60</b>	<b>61 - 90</b>	<b>Total</b>	<b>16 - 30</b>	<b>31 - 60</b>	<b>61 - 90</b>	<b>Total</b>
<b>Days past due</b>								
<b>Type of loans</b>								
Large-business	892	11,025	1,673	13,590	1,244	-	24	1,268
Medium-business loans	34,250	32,614	18,341	85,204	8,728	9,849	6,047	24,624
	<b>35,142</b>	<b>43,639</b>	<b>20,014</b>	<b>98,794</b>	<b>9,972</b>	<b>9,849</b>	<b>6,071</b>	<b>25,892</b>
Small-business loans	-	2	3	5	-	948	-	948
Micro-business loans	-	1	-	1	-	-	-	-
Consumer loans	-	2	1	3	-	1	-	1
Mortgage loans	-	759	-	759	-	841	-	841
	-	<b>764</b>	<b>4</b>	<b>768</b>	-	<b>1,790</b>	-	<b>1,790</b>
	<b>35,142</b>	<b>44,403</b>	<b>20,018</b>	<b>99,562</b>	<b>9,972</b>	<b>11,639</b>	<b>6,071</b>	<b>27,682</b>

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**Risk concentrations**

The loan portfolio is distributed in the following economic sectors:

<i>In thousands of soles</i>	<b>2021</b>		<b>2020</b>	
Mortgage and consumer loans	22,098,258	30%	20,132,475	29%
Commerce	15,007,388	20%	14,327,736	21%
Manufacturing	11,572,044	16%	10,042,002	14%
Transport, storage and communications	6,657,607	9%	5,706,033	8%
Real estate, business and leasing	4,069,603	5%	5,959,733	8%
Agriculture and livestock	2,727,398	4%	2,307,799	3%
Mining	2,201,883	3%	2,007,471	3%
Financial intermediation	1,811,653	2%	1,432,764	2%
Power, gas and water	1,793,180	2%	1,392,350	2%
Hotels and restaurants	1,722,813	2%	1,780,768	3%
Construction	1,477,096	2%	1,416,643	2%
Others	3,306,751	5%	3,866,659	5%
	<b>74,445,674</b>	<b>100%</b>	<b>70,372,433</b>	<b>100%</b>

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As of December 31, financial assets are distributed among the following geographic areas:

<i>In thousands of soles</i>	2021					
	At fair value through profit or loss		Loans and accounts receivable	Available-for-sale	Hedging instruments	Total
	Held-for- trading	Allocated at inception				
<b>Financial instruments</b>						
Peru	5,290,281	-	74,552,575	4,543,792	24,639	84,411,287
Rest of South America	-	-	28,614	980	-	29,594
Rest of the world	487,180	-	12,904	-	-	500,084
Mexico	1,330	-	1,383	-	-	2,713
United States	-	-	81,764	1,035,644	-	1,117,408
Europe	130,857	-	10,469	30	51,166	192,522
	<b>5,909,648</b>	-	<b>74,687,709</b>	<b>5,580,446</b>	<b>75,805</b>	<b>86,253,608</b>
Provisions	(12,335)	-	(4,813,786)	-	-	(4,826,121)
Accrued interest	-	-	640,209	-	-	640,209
Deferred interest	-	-	(98,278)	-	-	(98,278)
	<b>5,897,313</b>	-	<b>70,415,854</b>	<b>5,580,446</b>	<b>75,805</b>	<b>81,969,418</b>
	2020					
	At fair value through profit or loss		Loans and accounts receivable	Available-for-sale	Hedging instruments	Total
<i>In thousands of soles</i>	Held-for- trading	Allocated at inception				
<b>Financial instruments</b>						
Peru	5,108,017	-	70,373,209	4,586,817	-	80,068,043
Rest of South America	-	-	157,325	980	-	158,305
Rest of the world	322,533	-	16,566	74,117	-	413,216
Mexico	-	-	2,212	-	-	2,212
United States	-	-	19,952	1,963,500	-	1,983,452
Europe	155,338	-	10,468	72,975	103,354	342,135
	<b>5,585,888</b>	-	<b>70,579,732</b>	<b>6,698,389</b>	<b>103,354</b>	<b>82,967,363</b>
Provisions	(8,237)	-	(4,525,891)	(6,353)	-	(4,540,481)
Accrued interest	-	-	536,916	-	-	536,916
Deferred	-	-	(98,348)	-	-	(98,348)
	<b>5,577,651</b>	-	<b>66,492,409</b>	<b>6,692,036</b>	<b>103,354</b>	<b>78,865,450</b>

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**Market risk**

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

There are three major risk factors that affect market prices: interest rates, exchange rates and variable-income.

- Interest rate risk It arises as a consequence of variations in the provisional structure of market interest rates, for the different currency.
- Exchange rate risk: It arises as a consequence of variations in the exchange rate risk among the different currency.
- Price risk: It arises as a consequence of changes in the market price, either for the specific instruments factors, nor for factors affecting all the instruments trades in the market.

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

Value at risk (VaR) is the basic variable to measure and control the Bank's market risk. This risk measure estimates the maximum loss, with a given level of confidence, that can occur in the market positions of a portfolio for a certain time horizon. The Bank calculates the VaR using the historical method with a confidence level of 99% and a time horizon of one day; the data period considered is two years.

The structure of market risk limits determines a scheme of VaR and economic capital limits for market risk, as well as alerts and specific ad-hoc sub-limits for types of risk, among others.

Likewise, validity tests are carried out on the risk measurement models used, which estimate the maximum loss that can occur in the positions considered, with a certain level of probability ("back testing"), as well as measurements of the impact of extreme movements market in the risk positions maintained ("stress testing"). Currently, the stress analysis on historical scenarios of the Lehman Brothers crisis (2008) is being carried out.

As of December 31, the detail of the VaR for risk factors was as follows:

<i>In thousands of soles</i>	<b>2021</b>	<b>2020</b>
<b>VaR for risk factors</b>		
VaR without smoothing	10,144	7,957
VaR interest	10,458	8,068
VaR exchange	319	481
VaR weighted	8,479	8,411
VaR maximum	13,348	12,387
VaR minimum	5,245	5,803



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***Structural interest rate risk***

The objective of managing the banking book interest risk is to maintain the Bank's exposure to variations in market interest rates at levels consistent with its strategy and risk profile. To this end, the Assets and Liabilities Committee (hereinafter COAP) conducts active management of the banking book through operations to optimize the level of risk assumed, in relation to the expected results, and allow compliance with the maximum levels of tolerable risk.

The activity performed by the COAP is based on the interest risk measurements conducted by the risks area. Which, acting as an independent unit, periodically quantifies the impact the variation in interest rates has on the interest margin and the economic value of the Bank.

In addition to the sensitivity measurements to different variations in market rates, the Bank develops probabilistic calculations that determine the "economic capital" (maximum loss in economic value) and the "margin at risk" (maximum loss in the interest margin) due to structural interest risk of the Bank's banking activity, excluding treasury activity, based on interest rate curve simulation models. Stress testing is conducted periodically to complete the evaluation of the Bank's interest risk profile.

All these risk measures are subject to subsequent analysis and monitoring, and the levels of risk assumed and the degree of compliance with the authorized limits are transferred to the different management and administration departments of the Bank.

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The consumption of the structural interest risk levels of the Bank during the years 2021 and 2020 are presented as follows:

		December	November	October	September	August	July	June	May	April	March	February	January
		2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021
<b>2021</b>													
<b>Limit consumption</b>													
Sensitivity in profit margin	7%	6.42%	6.78%	6.86%	6.6%	5.5%	5.0%	5.1%	5.6%	5.1%	5.4%	5.4%	5.4%
<b>Alert consumption</b>													
Economic value sensitivity	1,200	221	262	264	297	309	444	422	417	403	439	452	496
Economic capital	1,200	422	432	400	411	422	535	528	534	529	556	559	584
Margin at risk	4%	3.5%	2.9%	3%	2.8%	2.2%	2.2%	2.2%	2.4%	2.1%	2.2%	2.2%	2.3%
		December	November	October	September	August	July	June	May	April	March	February	January
		2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020
<b>2020</b>													
<b>Limit consumption</b>													
Sensitivity in profit margin	7%	4.3%	4.5%	4.8%	5.1%	3.7%	3.2%	2.9%	3.5%	3.8%	3.9%	4.6%	4.6%
<b>Alert consumption</b>													
Economic value sensitivity	1,200	452	483	480	454	535	498	572	597	565	565	625	635
Economic capital	1,200	533	569	579	589	680	626	608	620	621	667	709	729
Margin at risk	7%	1.9%	1.9%	2.0%	2.1%	1.8%	1.7%	1.3%	1.4%	1.3%	1.4%	1.8%	1.8%

In the measurement process, the Bank has established hypotheses on the evolution and behavior of certain items, such as those relating to products without explicit or contractual expiration. These hypotheses are based on studies that approach the relationship between the interest rates of these products and those of the market, and that allow the disaggregation of the specific balances into trend balances, with a long-term permanence degree, and seasonal or volatile balances, with a short-term residual maturity.

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***Liquidity risk***

The control, monitoring and management of liquidity risk aims, in the short term, to ensure compliance with the Bank's payment commitments in a timely manner, without resorting to obtaining funds under unfavorable conditions, or deteriorating the image and reputation of the Bank. In the medium term, its objective is to ensure the suitability of the financial structure and its evolution, in the context of the economic situation, the markets and regulatory changes.

The management of liquidity and structural financing in the Bank are based on the principle of financial autonomy of the BBVA Group. This management approach contributes to prevent and limit liquidity risk by reducing the Bank's vulnerability in periods of high risk.

The management and monitoring of liquidity risk is carried out comprehensively with a dual approach: short-term and long-term. The short-term liquidity approach, with a time horizon of up to one year, is focused on managing payments and collections from market activities, volatile customer resources and the potential liquidity needs of the Bank as a whole. The second approach, medium-term or financing, is focused on the financial management of the set of assets and liabilities, focusing on the financing structure, and having a time horizon equal to or greater than the annual one.

The integral management of liquidity is carried out by COAP, where the Financial Management Unit of the Finance area analyzes the implications, in terms of financing and liquidity of the various Bank projects and their compatibility with the structure of target financing and the situation of financial markets. In this sense, the Financial Management Unit, in accordance with the approved budgets, executes the agreed proposals by the COAP and manages liquidity risk in accordance with wide scheme of limits, sub-limits and approved warnings on which the risk area carries out, independently, its measurement and control work, providing the manager with support tools and metrics for decision-making.

The periodic measurements of the risk incurred and the monitoring of the consumption of limits are carried out by the Structural, Markets and Fiduciary Risks Unit, which monthly reports the liquidity risks level to the COAP; as well as more frequently to the management units. It should be noted that during the beginning of the state of emergency due to the COVID19 pandemic, the structural risks unit increased the measurement frequency of the main liquidity indicators in order to carry out a daily monitoring that allows anticipating any contingency and supporting the management areas.

Moreover, the Basel Committee on Banking Supervision (BCBS) has proposed a new liquidity regulation scheme based on two ratios: Liquidity coverage ratio (LCR) which is effective from 2015 and net stable funding ratio (NSFR) which has been implemented since 2018. The Bank and the BBVA Peru Group participated in the quantitative impact study (QIS), which has included the new regulatory challenges in its new general framework of action in the liquidity and financing area. At local level, the SBS has also implemented the monitoring of the liquidity coverage ratio, following the general guidelines of the BCBS, although adapting it to the Peruvian reality. The measurement of liquidity coverage ratio have started on December 2013 and its measurement have a daily frequency. The limit established for liquidity coverage ratio is 80% for the period from 2014 to 2017, 90% for 2018 and 100% for 2019 henceforth, which is being complied.

Since March 2020, the SBS has established the temporary inapplicability of the liquidity coverage ratios in local and foreign currency. However, the structural risks unit has continued with the daily measurement of the liquidity coverage ratios on a timely basis.

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Repurchase agreement established by the Official Letter 022-2015-BCRP, and repurchase agreement with BCRP of Legislative Decree 1508, which created the Government guarantee program, are considered sources of financing available to be included in the Bank's contingency liquidity plan. To this effect, the SBS requires that the framework agreement be signed with COFIDE and the portfolio that could be used for these operations be identified.

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In accordance with SBS regulations, the maturities of assets and liabilities as of December 31, 2021 and 2020, including accrued interest on loans and deposits, are as follows:

<i>In thousands of soles</i>	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3-6 months</b>	<b>6-12 months</b>	<b>1-5 years</b>	<b>More than 5 years</b>	<b>Loans past due and loans under legal collection</b>	<b>Total</b>
<b>2021</b>								
<b>Assets</b>								
Cash and due from banks	14,502,378	164,513	46,374	67,296	1,467,323	-	-	16,247,884
Interbank funds	-	-	-	-	-	-	-	-
Investments at fair value through profit or loss	4,129,581	-	-	-	-	-	-	4,129,581
Available-for-sale investments	4,131,160	43,335	2,607	796,423	307,755	299,166	-	5,580,446
Loan portfolio	6,546,559	8,206,497	7,745,944	8,290,753	27,421,118	14,119,761	2,755,251	75,085,883
Held-for-trading instruments	41,085	192,642	262,774	238,881	356,740	675,610	-	1,767,732
Hedging instruments	-	-	235	53,319	22,251	-	-	75,805
	<b>29,350,763</b>	<b>8,606,987</b>	<b>8,057,934</b>	<b>9,446,672</b>	<b>29,575,187</b>	<b>15,094,537</b>	<b>2,755,251</b>	<b>102,887,331</b>
<b>Liabilities</b>								
Deposits and obligations	7,213,661	5,487,526	1,272,887	2,055,379	47,075,335	-	-	63,104,788
Demand deposits	2,476,778	1,812,755	-	-	20,597,504	-	-	24,887,037
Savings	2,508,338	1,759,651	-	-	24,225,054	-	-	28,493,043
Term	2,137,060	1,915,120	1,272,887	2,055,379	2,252,777	-	-	9,633,223
Others	91,485	-	-	-	-	-	-	91,485
Interbank funds	-	-	-	-	-	-	-	-
Deposits with financial institutions	400,186	258,213	69,208	125,057	172,907	-	-	1,025,571
Debts and financial obligations	54,708	77,108	428,670	2,507,707	1,766,927	2,154,554	-	6,989,674
Held-for-trading instruments	127,439	123,859	231,400	107,251	475,044	507,027	-	1,572,020
Hedging instruments	-	-	1,565	3,391	30,103	-	-	35,059
Accounts payable	1,813,016	648,460	969,896	2,451,469	10,608,108	617,881	-	17,108,830
Other liabilities	602,266	-	-	-	-	-	-	602,266
	<b>10,211,276</b>	<b>6,595,166</b>	<b>2,973,626</b>	<b>7,250,254</b>	<b>60,128,424</b>	<b>3,279,462</b>	<b>-</b>	<b>90,438,208</b>

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<i>In thousands of soles</i>	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3-6 months</b>	<b>6-12 months</b>	<b>1-5 years</b>	<b>More than 5 years</b>	<b>Loans past due and loans under legal collection</b>	<b>Total</b>
<b>2020</b>								
<b>Assets</b>								
Cash and due from banks	19,137,640	1,263,307	793,377	243,696	3,491,863	-	-	24,929,883
Interbank funds	137,599	-	-	-	-	-	-	137,599
Investments at fair value through profit or loss	4,679,056	-	-	-	-	-	-	4,679,056
Available-for-sale investments	5,746,998	187,460	75,352	44,564	335,071	302,591	-	6,692,036
Loan portfolio	5,970,613	6,351,096	4,507,113	6,584,206	34,529,062	10,704,669	2,262,590	70,909,349
Held-for-trading instruments	93,939	62,911	47,726	22,369	288,069	383,581	-	898,595
Hedging instruments	-	-	-	-	103,354	-	-	103,354
	<b>35,765,845</b>	<b>7,864,774</b>	<b>5,423,568</b>	<b>6,894,835</b>	<b>38,747,419</b>	<b>11,390,841</b>	<b>2,262,590</b>	<b>108,349,872</b>
<b>Liabilities</b>								
Deposits and obligations	10,503,851	8,000,059	2,186,005	3,078,306	47,044,313	-	-	70,812,534
Demand deposits	4,613,896	3,378,292	-	-	21,786,440	-	-	29,778,628
Savings	2,172,598	1,495,035	-	-	21,044,166	-	-	24,711,799
Term	3,642,526	3,126,732	2,186,005	3,078,306	4,213,707	-	-	16,247,276
Others	74,831	-	-	-	-	-	-	74,831
Interbank funds	72,421	-	-	-	-	-	-	72,421
Deposits with financial institutions	530,432	454,819	34,206	327,182	146,427	-	-	1,493,066
Debts and financial obligations	26,675	180,431	778,489	301,105	3,604,598	2,138,933	-	7,030,231
Held-for-trading instruments	108,096	107,034	69,850	34,589	247,926	308,900	-	876,395
Hedging instruments	-	-	6,758	1,382	6,493	-	-	14,633
Accounts payable	804,211	830,000	553,100	-	13,819,408	-	-	16,006,719
Other liabilities	815,546	-	-	-	-	-	-	815,546
	<b>12,861,232</b>	<b>9,572,343</b>	<b>3,628,408</b>	<b>3,742,564</b>	<b>64,869,165</b>	<b>2,447,833</b>	<b>-</b>	<b>97,121,545</b>

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**Operational risk**

The Bank articulates an operational risk management model implemented throughout the organization, based on methodologies and procedures for the identification, assessing and monitoring of operational risk, and supported by tools that allow qualitative and quantitative management.

This model is based on a decentralized management of operational risk carried out by operational risk management teams in the two lines of defense. In the first line we have the Risk Control Assurer whose objective is to promote the adequate management of operational risk in their respective management areas. The previous by extending the methodology of risk identification and establishment of controls, and working for this with the owners of the processes who are those responsible for implementing mitigation plans and execution of controls. In the second line of defense, there is a Risk Control Specialist team who define mitigation and control frameworks in their area of specialty (across the entire organization) and contrast with the one implemented by the first line.

Both control teams are in constant coordination of a methodological unit and constantly report to the corresponding Internal Control and Operational Risk Committees. From the internal control and compliance area, the non-financial risk unit is in charge of the implementation of corporate management tools, the training of both control teams (Risk Control Assurer and Risk Control Specialist), coordination for updating the risk map and monitoring of mitigation plans.

In connection with qualitative management, the Support Tool for Operational Risk Management (MIGRO tool) makes it possible to record the operational risks identified by associating them with a taxonomy of processes and their quantification, as well as recording the evaluation periodical controls associated with critical risks. In 2021, risks and controls are being updated, maintaining the validity of the model.

In addition, there is a database, Integrated Operational Risk System (SIRO), which includes all operational risk events that represent a loss for the BBVA Peru Group, is the fundamental quantitative tool for risk management operational.

The Bank is authorized to use the alternative standard method for calculating the effective equity requirement for operational risk, which allows it to optimize the regulatory capital requirement for operational risk management.

The effective equity requirement for operational risk based on the alternative standard method as of December 31, 2021 amounts to S/ 602 million (2020: S/ 542 million)

**30. Fair Value**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

In cases where the listed value is not available, the fair value is estimated based on the listed value of a financial instrument with similar characteristics, the present value of the expected cash flows or other valuation techniques; which can be significantly affected by the different assumptions used.

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Management used its best judgment in measuring the fair value of financial instruments; however, there are inherent weaknesses in any valuation technique. Thus, the fair value may not be an indicative of the net realizable value or the liquidation value of such financial instruments.

Regarding the methodology and assumptions used in estimating the fair value of the Bank's financial instruments, the following should be considered:

***Financial instruments whose fair value is similar to the carrying amount:***

This assumption applies for those assets and liabilities with current maturity, with variable interest rate and those whose fair value correspond to the carrying amount according to the SBS Official Letter 43078-2014-SBS.

***Financial instruments at fixed rate***

The methodology of future flows projection discounted at market interest rates is used, for instruments with similar characteristics.

***Financial instruments measured at fair value***

The fair value hierarchy categorizes into 3 levels the inputs to valuation techniques used to measure fair value:

- Level 1: If the observed value in an active market does not refer to the financial instrument as a whole, but there is an active market for its components, fair value shall be determined based on relevant market prices of those components.
- Level 2: For instruments quoted in non-active markets, fair value is determined by using a valuation technique or model that mostly uses market data and minimizes the use of data provided by the Bank.
- Level 3: For unquoted instruments, fair value is determined using valuation techniques or models.

Financial assets at fair value through profit or loss and available-for-sale financial assets are measured at market prices, which are determined based on the published share prices of mutual funds and quoted prices, respectively.

The fair value of derivative instruments is determined through the use of valuation techniques.



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**Carrying amount and fair value of financial assets and financial liabilities.**

Taking into account the fair value considerations and the Official Letter 43078-2014- SBS, in which the SBS determined that the fair value corresponds to the carrying amount of loans and deposits, as of December 31, 2021 and 2020, the carrying amount and fair value of financial assets and financial liabilities are presented as follows:

<i>In thousands of soles</i>	Carrying amount		Fair value	
	2021	2020	2021	2020
<b>Assets</b>				
Cash and due from banks	16,247,884	24,929,883	16,247,884	24,929,883
Interbank funds	-	137,599	-	137,599
<b>Investments at fair value through profit or loss</b>				
Debt instruments	4,129,581	4,679,056	4,129,581	4,679,056
<b>Available-for-sale investments</b>				
Equity instruments	25,972	23,322	25,972	23,322
Debt instruments	5,554,474	6,668,714	5,554,474	6,668,714
Loan portfolio	70,381,769	66,446,955	70,381,769	66,446,955
Held-for-trading instruments	1,767,732	898,595	1,767,732	898,595
Hedging instruments	75,805	103,354	75,805	103,354
Accounts receivable	34,085	45,454	34,085	45,454
Other assets	709,217	900,064	709,217	900,064
	<b>98,926,519</b>	<b>104,832,996</b>	<b>98,926,519</b>	<b>104,832,996</b>
<b>Liabilities</b>				
Deposits and obligations	63,104,788	70,812,534	63,104,788	70,812,534
Interbank funds	-	72,421	-	72,421
Deposits with financial institutions and international financial institutions	1,025,571	1,493,066	1,025,571	1,493,066
Debts and financial obligations	6,989,674	7,030,231	7,034,614	7,035,674
Held-for-trading instruments	1,572,020	876,395	1,572,020	876,395
Hedging instruments	35,059	14,633	35,059	14,633
Accounts payable	17,108,830	16,006,719	17,108,830	16,006,719
	<b>89,835,942</b>	<b>96,305,999</b>	<b>89,880,882</b>	<b>96,311,442</b>

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Assets and liabilities recorded at fair value based on the hierarchy level are recorded as follows:

**Financial instruments recorded at fair value and value hierarchy**

	2021				2020			
	Fair value	Level 1	Level 2	Level 3	Fair value	Level 1	Level 2	Level 3
<i>In thousands of soles</i>								
<b>Assets</b>								
<b>Investments at fair value through profit or loss</b>								
Debt instruments	4,129,581	204,934	3,924,647	-	4,679,056	296,595	4,382,461	-
<b>Available-for-sale investments</b>								
Equity instruments	24,850	24,850	-	-	22,201	22,201	-	-
Debt instruments	5,554,474	1,389,913	4,164,561	-	6,675,067	2,570,885	4,104,182	-
Held-for-trading instruments	1,767,732	-	1,767,732	-	898,595	-	898,595	-
Hedging instruments	75,805	-	75,805	-	103,354	-	103,354	-
	<b>11,552,442</b>	<b>1,619,697</b>	<b>9,932,745</b>	<b>-</b>	<b>12,378,273</b>	<b>2,889,681</b>	<b>9,488,592</b>	<b>-</b>
<b>Liabilities</b>								
Debts and financial obligations	3,251,564	-	3,251,564	-	3,032,280	-	3,032,280	-
Held-for-trading instruments	1,572,020	-	1,572,020	-	876,395	-	876,395	-
Hedging instruments	35,059	-	35,059	-	14,633	-	14,633	-
	<b>4,858,643</b>	<b>-</b>	<b>4,858,643</b>	<b>-</b>	<b>3,923,308</b>	<b>-</b>	<b>3,923,308</b>	<b>-</b>

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**Description of the valuation techniques for instruments recorded at fair value**

Level 2	Valuation techniques/ Hypothesis	Main inputs used
Fixed and variable rate	<p><b>Fixed rate:</b> Present value of cash flows from bonds (coupons and face value):</p> $Price_{bond} = \sum_{n=1}^N \frac{Coupon}{(1 + YTM)^n} + \frac{Face\ value}{(1 + YTM)^N}$ <p>These cash flows are discounted at yield to maturity (YTM)</p> <p><b>Variable rate:</b> The closing price taken is the one consigned in a public source of information (Price Vendors). The Bank does not have trading portfolio of variable rate.</p>	<ul style="list-style-type: none"> <li>▪ <b>Fixed rate:</b> Bonds details (coupon rate, coupons payment frequency, face value) <i>Yield to Maturity(YTM):</i> Obtained from operations traded in Datatec in such a way that the transaction is greater than or equal to S/ 2 million (internally defined condition).</li> <li>▪ <b>Variable rate:</b> closing price of Bloomberg, Reuter or the website of the BVL.</li> </ul>
Derivatives (a) Forwards, cross-currency swaps contracts and cross currency swaps	<p>Calculation of the present value of each of the components of the derivative (fixed / variable) considering market interest rates and converting it to soles with the exchange rate of the day, if necessary. The following are taken into account: variable flows (if any), the projection of flows, the discount curves for each underlying and the current market interest rates.</p>	<ul style="list-style-type: none"> <li>▪ Forward points</li> <li>▪ Fixed vs variable price</li> <li>▪ Exchange rate at closure</li> <li>▪ Market interest rate curves</li> </ul>
(b) Options	<p><b>For options on shares, currency and raw materials</b></p> <p>The hypothesis derived from the use of the Black-Scholes model takes into account the possible adjustments to convexity.</p> <hr/> <p><b>For derivatives on interest rates:</b></p> <p>The hypothesis derived from the use of the Black-Scholes assumes a lognormal process of forward rates and model takes into account the possible adjustments to convexity.</p>	<p><b>Derivatives on shares, currency and raw materials</b></p> <ul style="list-style-type: none"> <li>▪ Forward structure of the underlying</li> <li>▪ Changes in options</li> <li>▪ Observable correlations between underlying</li> </ul> <hr/> <p><b>Derivatives on interest rates:</b></p> <ul style="list-style-type: none"> <li>▪ Maturity structure of interest type curve</li> <li>▪ Underlying volatility</li> </ul>

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**31. Subsequent Events**

The Bank is not aware of any subsequent event occurring between the closing date and the issuing date of these consolidated financial statements that may affect it significantly.

SBS Resolution 00429-2022, dated February 9, 2022, authorized BBVA Consumer Finance Edpyme to start its voluntary dissolution and liquidation process in accordance with the schedule and proposed activities presented to the SBS.