

Translation of independent auditor's report and financial statements
originally issued in Spanish - Note 25

Banco Internacional del Perú S.A.A. - Interbank

Financial statements as of December 31, 2022 and 2021,
together with Independent Auditor's Report

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Financial Statements as of December 31, 2022 and 2021,
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Independent Auditor's Report

To the Shareholders of Banco Internacional del Perú S.A.A. - Interbank

Opinion

We have audited the financial statements of Banco Internacional del Perú S.A.A. - Interbank (a Peruvian financial entity, subsidiary of Intercorp Financial Services Inc. which in turn is subsidiary of Intercorp Perú Ltd., henceforth "the Bank"), comprising the statement of financial position as of December 31, 2022, and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended; as well as the explanatory notes to the financial statements, which include a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the Bank's financial position as of December 31, 2022, as well as its financial performance and cash flows for the year then ended, in accordance with accounting standards prescribed by the Superintendence of Banking, Insurance and Private Pension Funds Administrators ("SBS", by its Spanish acronym) for Peruvian financial entities; see Note 2.

Basis of the opinion

We perform our audit in accordance with the International Standards on Auditing (ISA) approved for application in Peru by the Board of Peruvian Associations of Certified Public Accountants. Our responsibilities under these standards are described in more detail in the Auditor's Responsibilities section regarding the audit of the financial statements of our report. We are independent of the Bank in accordance with the International Accounting Standards Board Code of Ethics for Accountants (IESBA Code) along with ethical requirements that are relevant to our audit of financial statements in Peru, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained provides a sufficient and adequate basis for our opinion.

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Independent Auditor's Report (continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of the most significance in the audit of the financial statements for the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon; so we do not provide a separate opinion on these matters. Based on the above, below is how each key matter was addressed during our audit.

We have fulfilled the responsibilities described in the Auditor's Responsibilities section regarding the audit of the financial statements of our report, including in relation to these matters. Accordingly, our audit included conducting procedures designed to respond to the risks of material misstatement assessed in the financial statements. The results of the audit procedures, including the procedures performed to address the matters mentioned below, form the basis for the audit opinion on the accompanying financial statements.

| Key Audit Matter | Audit response |
|--|--|
| Information Technology (IT) Environment | |
| <p>The Bank's activities depend to a large extent on the efficient and continuous operation of information technology systems and technology infrastructures, which encompass a large number of IT applications and systems for the processing of all its operations, accounting records and preparation of its financial statements. The Bank's IT system consists of a set of complex computer applications, essential in the Bank's various business operations. IT environment controls include: IT governance, overall IT controls over program development and changes, access to programs and data, and IT operations, therefore, such controls must be designed and operated</p> | <p>Assisted by our Information Technology (IT) specialists, our audit efforts focused on the Banks's key systems, carrying out, among others, the following procedures:</p> <ul style="list-style-type: none">- We evaluated and tested overall IT controls by performing: an understanding of IT governance, reviewing key (including compensatory) controls over application and data access management, application changes and developments, and IT operations.- We tested application controls, considering the design and operational effectiveness of critical automated controls to data processing, accounting records and the preparation of the financial statement. With respect to identified control deficiencies, we |



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Independent Auditor's Report (continued)

Key Audit Matter

effectively with the aim of ensuring the integrity of accurate accounting records and financial reports, in this way mitigate the potential risk of fraud or error. As same of importance are executed calculations of systems, other IT application controls, and interfaces between IT systems. In addition, the Bank continues to invest in its IT infrastructure and processes with the aim of offering a digital transformation service to its customers and security in the management of their data against cyberattacks.

Therefore, we consider the information technology environment as a key issue, given that the reliability and security of IT systems plays a fundamental role in ensuring the correct treatment of data processing, accounting records and preparation of financial statements, that is, they depend to a large extent on automated controls over information systems, So, there is a risk that breaches in the IT control environment could result in financial accounting and information records being materially incorrect.

Audit response

tested the design and operational effectiveness of compensation controls.

- We made an understanding with the Information Security team and those in charge of IT Governance of the Bank, about their assessment of cybersecurity risk and the measures implemented to mitigate this risk.

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Independent Auditor's Report (continued)

Key Audit Matter

Estimation of the provision for the non-retail loan portfolio under SBS standards

As described in Notes 2(e), 5 and 24.1 to the financial statements, the estimation of the provision for the non-retail loan portfolio is determined by the methodology defined by the SBS, which establishes the specific percentages for the calculation of the provision, which depend on the credit classification of the debtor. In order to determine said classification, the Bank, considers, among other relevant factors: the debtor's payment experience, the history of commercial relationships with the debtor, the history of operations, the capacity to pay and availability of funds of the debtor, the situations of collaterals and guarantees received, the analysis of the debtor's financial statements and the debtor's risk in other financial institutions.

Therefore, we consider that the estimation of the provision for the non-retail loan portfolio is a key audit matter; because in order to define the calculation rate, the debtor must be classified on the basis of qualitative and quantitative variables in which intervenes a critical and professional judgment from the Bank's risk specialists.

Audit response

We gained an understanding, evaluated the design and tested the operational effectiveness of controls of the estimation of the provision for the non-retail loan portfolio under SBS standards, which included:

- Methodology and criteria established for the calculation according to SBS required regulations.
- Integrity and accuracy of the database in the Bank's systems.
- Credit classification of debtors, considering the Bank's methodology and SBS regulations.
- Reviewing of the calculation of the estimation of the provision for the non-retail loan portfolio in the Bank's systems.
- Disclosure in the notes to the financial statements.

In addition, we carried out detailed substantive procedures, which included:

- We assessed whether the accounting policies defined by the Bank are coherent with the SBS methodology.
- We tested the integrity and accuracy of the data used in the provision calculation.
- We inspected in a selective manner the credit classification of the debtor, assessing the reasonability of Management's most relevant assumptions.
- We independently tested the calculation of the provision estimation.
- We assessed the adequacy of the disclosures in the Notes to the financial statements.



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Independent Auditor's Report (continued)

Other information included in the Banks's 2022 Annual Report

Management is responsible for other information. Other information includes the information included in the Banks's Annual Report and does not form an integral part of the financial statements or our related audit report.

Our opinion on the financial statements does not cover other information and we do not express any form of conclusion that provides a degree of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, to consider whether the other information is materially inconsistent with the financial statements or our knowledge gained in the audit or otherwise appears to be materially misstated. If, based on the work we have done, we conclude that there is a material error of this other information, we are obliged to report that fact. We have nothing to report in this regard.

Responsibilities of Bank's Management and corporate governance officers in relation to the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting standards established by the SBS for financial entities in Peru, and for such internal control as Management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Banks's ability to continue as a going concern, disclosing as appropriate matters relating to the going concern and using the going concern basis of the undertaking unless Management intends to liquidate the Bank or cease operations, or have no realistic alternative to doing so.



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Independent Auditor's Report (continued)

Those responsible for the Bank's corporate governance are responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable security is a high level of assurance, but it does not guarantee that an audit conducted in accordance with ISAs approved for application in Peru will always detect a material misstatement where it exists. Inaccuracies may arise due to fraud or error and are considered material if, individually or cumulatively, they could reasonably be expected to influence the economic decisions users make based on the financial statements.

As part of an audit in accordance with the ISAs approved for application in Peru by the Board of Peruvian Associations of Certified Public Accountants, we exercise professional judgment and maintain professional skepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and execute audit procedures that respond to those risks, and obtain audit evidence that is sufficient and appropriate to provide us with a basis for our opinion. The risk of not detecting a material misstatement due to fraud is greater than that resulting from an error, as fraud may involve collusion, falsification, intentional omissions, misrepresentations or overstepping the internal control system.
- We gained an understanding of the internal control relevant to the audit 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.
- We assess the adequacy of the accounting policies used, the reasonableness of the accounting estimates and the respective disclosures made by Management.



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Independent Auditor's Report (continued)

- We conclude on the suitability of Management's use of the going concern basis and, based on the audit evidence obtained, whether there is material uncertainty related to events or conditions that may raise significant doubts about the Bank's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our audit report to disclosures relating to the financial statements or, if such disclosures are inadequate, to modify our opinion. Conclusions are based on audit evidence obtained to date from our audit report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- We evaluate the overall presentation, structure, content of the financial statements, including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

We communicate to the Bank's corporate governance managers, among other matters, the planned scope and timing of the audit, the significant findings of the audit, as well as any significant internal control deficiencies identified in the course of the audit.

We also provide those responsible for the Bank's corporate governance with a statement that we have complied with the applicable ethics requirements in relation to independence and that we have disclosed all relationships and other matters that could reasonably be expected to affect our independence and, where applicable, the measures taken to eliminate the threats or safeguards applied.



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Independent Auditor's Report (continued)

Among the matters that have been the subject of communication with those responsible for the Bank's corporate governance, we determine those that have been of the greatest significance in the audit of the financial statements for the current period and, therefore, are the key audit matters. We have described such matters in our audit report unless legal or regulatory provisions prohibit public disclosure of the matter or, in extremely rare circumstances, we determine that a matter should not be disclosed in our report because it would reasonably be expected that the adverse consequences of doing so would outweigh the public interest benefits of the report.

Lima, Peru
February 14, 2023

Countersigned by:

Tanaka, Yaidivra f ASOC.

Victor Tanaka
Associated in charge
C.P.C.C. Register No. 25613

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Banco Internacional del Perú S.A.A. - Interbank

Statement of financial position

As of December 31, 2022, and 2021

| | Note | 2022 S/(000) | 2021 S/(000) | | Note | 2022 S/(000) | 2021 S/(000) |
|--|------|-------------------|-------------------|---|-----------------|-------------------|-------------------|
| Assets | | | | Liabilities | | | |
| Cash and due from banks | 3(a) | | | Deposits and obligations | 9(a) | 42,954,013 | 43,942,457 |
| Cash and clearing | | 2,865,180 | 2,363,274 | Inter-bank funds | 3(e) | 30,012 | - |
| Deposits in Central Reserve Bank of Peru | | 6,931,685 | 10,446,611 | Deposits from financial entities | 9(e) | 1,676,756 | 1,047,087 |
| Deposits in local and foreign banks | | 779,620 | 889,869 | | 3(d),4(b), 4(h) | | |
| Restricted funds | | 467,556 | 683,831 | Payables from repurchase agreements | and 5(a) | 4,530,337 | 6,373,416 |
| | | <u>11,044,041</u> | <u>14,383,585</u> | Debts and financial obligations | 10 | 2,196,257 | 1,739,252 |
| | | | | Securities, bonds and obligations outstanding | 11 | 6,571,728 | 6,942,622 |
| | | | | Provisions and other liabilities | 8(a) | 1,406,749 | 1,264,319 |
| | | | | Total liabilities | | <u>59,365,852</u> | <u>61,309,153</u> |
| Inter-bank funds | 3(e) | 296,119 | 30,002 | | | | |
| Investments at fair value through profit or loss | | 23,472 | 33,441 | | | | |
| Available-for-sale investments | 4(a) | 6,257,275 | 6,732,772 | Shareholders' equity | 13 | | |
| Held-to-maturity investments | 4(h) | 3,287,647 | 3,280,899 | Capital stock | | 5,441,948 | 4,961,758 |
| Loan portfolio, net | 5 | 43,381,548 | 41,248,943 | Treasury stock | | (33,910) | (33,910) |
| Investments in subsidiaries and associates | 6 | 153,509 | 120,002 | Legal and special reserves | | 1,165,987 | 1,045,939 |
| Property, furniture and equipment, net | 7 | 335,797 | 368,630 | Unrealized results | | (665,883) | (371,434) |
| Other assets, net | 8(a) | 1,358,699 | 1,701,136 | Retained earnings | | 1,171,698 | 1,200,476 |
| Deferred Income Tax, net | 12 | 307,585 | 212,572 | Total shareholders' equity | | <u>7,079,840</u> | <u>6,802,829</u> |
| | | | | | | | |
| Total assets | | <u>66,445,692</u> | <u>68,111,982</u> | Total liabilities and shareholders' equity | | <u>66,445,692</u> | <u>68,111,982</u> |
| | | | | | | | |
| Contingent risks and commitments | 15 | <u>33,282,477</u> | <u>34,765,692</u> | Risks and commitments | 15 | <u>33,282,477</u> | <u>34,765,692</u> |

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

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Banco Internacional del Perú S.A.A. - Interbank

Statement of income

For the years ended December 31, 2022, 2021 and 2020

| | Note | 2022 S/(000) | 2021 S/(000) | 2020 S/(000) |
|--|-------|------------------|------------------|------------------|
| Interest income | 16 | 4,670,324 | 3,510,790 | 3,865,088 |
| Interest expenses | 16 | (1,389,838) | (811,024) | (983,877) |
| Gross financial margin | | <u>3,280,486</u> | <u>2,699,766</u> | <u>2,881,211</u> |
| Provision for loan losses, net of recoveries | 5(f) | (999,793) | (432,112) | (1,995,732) |
| Net financial margin | | <u>2,280,693</u> | <u>2,267,654</u> | <u>885,479</u> |
| Income from financial services | 17 | 1,141,107 | 987,719 | 838,244 |
| Expenses for financial services | 17 | (489,953) | (432,768) | (335,727) |
| Financial margin, net of income and expenses for financial services | | <u>2,931,847</u> | <u>2,822,605</u> | <u>1,387,996</u> |
| Gain on financial transactions | 18 | 412,263 | 511,430 | 407,502 |
| Administrative expenses | 19 | (1,626,965) | (1,496,788) | (1,310,451) |
| Depreciation | 7(a) | (66,604) | (66,664) | (73,543) |
| Amortization | 8(e) | (153,386) | (132,711) | (107,448) |
| Net operating income | | <u>1,497,155</u> | <u>1,637,872</u> | <u>304,056</u> |
| Provision for contingencies and others | | (15,439) | (18,113) | (7,288) |
| Impairment of available-for-sale investments | 4(f) | (2,818) | - | - |
| Operating income | | <u>1,478,898</u> | <u>1,619,759</u> | <u>296,768</u> |
| Other income (expenses), net | 20 | 11,659 | (35,224) | (459) |
| Income before Income Tax | | <u>1,490,557</u> | <u>1,584,535</u> | <u>296,309</u> |
| Income Tax | 12(b) | (318,859) | (384,059) | (31,426) |
| Net income | | <u>1,171,698</u> | <u>1,200,476</u> | <u>264,883</u> |
| Basic and diluted earnings per share (in soles) | 21 | <u>0.216</u> | <u>0.221</u> | <u>0.049</u> |
| Weighted average number of shares outstanding (in thousands) | 21 | <u>5,423,561</u> | <u>5,423,561</u> | <u>5,423,561</u> |

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

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Banco Internacional del Perú S.A.A. - Interbank

Statement of other comprehensive income

For the years ended December 31, 2022, 2021 and 2020

| | Note | 2022 S/(000) | 2021 S/(000) | 2020 S/(000) |
|---|-----------|------------------|------------------|-----------------|
| Net income for the period | | 1,171,698 | 1,200,476 | 264,883 |
| Other comprehensive income: | | | | |
| (Loss) net gain in available-for-sale investments | 13(e) | (282,704) | (625,770) | 203,135 |
| Net movement of cash flow hedges | 13(e) | (29,390) | 53,208 | (12,064) |
| | 12(a) and | | | |
| Income Tax | 13(e) | 17,645 | (8,490) | 733 |
| Other comprehensive income for the period, net of Income Tax | | <u>(294,449)</u> | <u>(581,052)</u> | <u>191,804</u> |
| Total comprehensive income for the period, net of Income Tax | | <u>877,249</u> | <u>619,424</u> | <u>456,687</u> |

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

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Banco Internacional del Perú S.A.A. - Interbank

Statement of changes in equity

For the years ended December 31, 2022, 2021 and 2020

| | Number of shares | | | | Legal and special reserves S/(000) | Unrealized results | | | Retained earnings S/(000) | Total S/(000) |
|---|-----------------------|-------------------------------|-----------------------|------------------------|------------------------------------|--|--|--|---------------------------|---------------|
| | Issued (in thousands) | Treasury stock (in thousands) | Capital stock S/(000) | Treasury stock S/(000) | | Available-for-sale investments S/(000) | Derivatives Instruments designated as cash flow hedges S/(000) | Investments in associates and subsidiaries S/(000) | | |
| Balance as of December 31, 2020 | 3,937,453 | 18,387 | 3,937,453 | (33,910) | 898,542 | 25,805 | (7,991) | - | 1,209,092 | 6,028,991 |
| Changes in equity for 2020 | | | | | | | | | | |
| Net income | - | - | - | - | - | - | - | - | 264,883 | 264,883 |
| Other comprehensive income, Note 13(e) | - | - | - | - | - | 200,309 | (8,505) | - | - | 191,804 |
| Total comprehensive income | - | - | - | - | - | 200,309 | (8,505) | - | 264,883 | 456,687 |
| Transfer, Note 13(c) | - | - | - | - | 120,909 | - | - | - | (120,909) | - |
| Capitalization of earnings, Note 13(a) | 785,910 | - | 785,910 | - | - | - | - | - | (785,910) | - |
| Dividends declared and paid, Note 13(a) | - | - | - | - | - | - | - | - | (302,273) | (302,273) |
| Balance as of December 31, 2020 | 4,723,363 | 18,387 | 4,723,363 | (33,910) | 1,019,451 | 226,114 | (16,496) | - | 264,883 | 6,183,405 |
| Changes in equity for 2021 | | | | | | | | | | |
| Net income | - | - | - | - | - | - | - | - | 1,200,476 | 1,200,476 |
| Other comprehensive income, Note 13(e) | - | - | - | - | - | (618,564) | 37,512 | - | - | (581,052) |
| Total comprehensive income | - | - | - | - | - | (618,564) | 37,512 | - | 1,200,476 | 619,424 |
| Transfer, Note 13(c) | - | - | - | - | 26,488 | - | - | - | (26,488) | - |
| Capitalization of earnings, Note 13(a) | 238,395 | - | 238,395 | - | - | - | - | - | (238,395) | - |
| Balance as of December 31, 2021 | 4,961,758 | 18,387 | 4,961,758 | (33,910) | 1,045,939 | (392,450) | 21,016 | - | 1,200,476 | 6,802,829 |
| Changes in equity for 2022 | | | | | | | | | | |
| Net income | - | - | - | - | - | - | - | - | 1,171,698 | 1,171,698 |
| Other comprehensive income, Note 13(e) | - | - | - | - | - | (273,729) | (20,720) | - | - | (294,449) |
| Total comprehensive income | - | - | - | - | - | (273,729) | (20,720) | - | 1,171,698 | 877,249 |
| Transfer, Note 13(c) | - | - | - | - | 120,048 | - | - | - | (120,048) | - |
| Capitalization of earnings, Note 13(a) | 480,190 | - | 480,190 | - | - | - | - | - | (480,190) | - |
| Dividends declared and paid, Note 13(a) | - | - | - | - | - | - | - | - | (600,238) | (600,238) |
| Balance as of December 31, 2022 | 5,441,948 | 18,387 | 5,441,948 | (33,910) | 1,165,987 | (666,179) | 296 | - | 1,171,698 | 7,079,840 |

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

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Banco Internacional del Perú S.A.A. - Interbank

Statement of cash flows

For the years ended December 31, 2022, 2021 and 2020

| | Note | 2022 S/(000) | 2021 S/(000) | 2020 S/(000) |
|---|-------------|------------------|--------------------|------------------|
| Cash flow from operating activities | | | | |
| Net income | | 1,171,698 | 1,200,476 | 264,883 |
| Adjustments to reconcile the net income with cash provided by operating activities | | | | |
| - Plus (minus) | | | | |
| Provision for loan losses, net of recoveries | 5(f) | 999,793 | 432,112 | 1,995,732 |
| Depreciation and amortization | 7(a) y 8(e) | 219,990 | 199,375 | 180,991 |
| Provisions for contingencies and others | | 15,439 | 18,113 | 7,288 |
| Impairment of available-for-sale investments | 4(f) | 2,818 | - | - |
| Deferred Income Tax | 12(b) | (77,368) | 137,848 | (193,829) |
| Expense (Income) from sale and valuation of investments, net | 18(a) | 12,282 | (100,661) | (104,059) |
| Expense (Income) from sale held-to-maturity investments | 18(a) | 2,213 | 2,141 | 2,012 |
| Gain from dividend | 18(a) | (225) | (72) | - |
| Participation from investments in subsidiaries and associates | 18(a) | (48,210) | (39,428) | (14,996) |
| Gain from sale property, furniture and equipment | 20 | (36,752) | 86 | (1,370) |
| (Gain) Loss from sale of assets received as payment and seized through legal actions | | (378) | 1,281 | 520 |
| Provisions for assets received as payment and seized through legal actions | 20 | 7,420 | 2,893 | 254 |
| Net changes in asset and liabilities | | | | |
| Net increase in loan portfolio | | (3,054,955) | (2,682,482) | (6,222,905) |
| Net decrease (net increase) in investments | | 191,171 | (1,585,244) | (3,016,855) |
| (Net decrease) net increase in deposits and obligations | | (1,082,756) | 697,910 | 9,239,381 |
| Net increase (net decrease) in deposits from financial entities | | 629,669 | (258,520) | (224,331) |
| Decrease in accrued income | | (115,121) | (41,253) | (87,239) |
| Net increase in interest payable | | 103,039 | (37,525) | (14,482) |
| Decrease (increase) in restricted funds | | 216,275 | (67,214) | 653,724 |
| Increase (decrease) of other assets, net | | 427,083 | (346,487) | 186,758 |
| Net increase in provisions and other liabilities | | 189,914 | 146,900 | 210,103 |
| Net cash provided by (used in) operating activities | | <u>(226,961)</u> | <u>(2,319,751)</u> | <u>2,861,580</u> |

Translation of financial statements originally issued in Spanish - Note 25

Statement of cash flows (continued)

For the years ended December 31, 2022, 2021 and 2020

| | Note | 2022 S/(000) | 2021 S/(000) | 2020 S/(000) |
|--|-------|--------------------|--------------------|-------------------|
| Cash flows from investing activities | | | | |
| Purchase of property, furniture and equipment | 7(a) | (56,458) | (53,004) | (49,017) |
| Purchase of intangibles assets | 8(e) | (202,266) | (163,650) | (143,873) |
| Sale of assets received as payment and seized through legal actions, and property, furniture and equipment | | 26,746 | 152 | 2,222 |
| Net cash used in investing activities | | <u>(231,978)</u> | <u>(216,502)</u> | <u>(190,668)</u> |
| Cash flows from financing activities | | | | |
| Collections of repurchase agreements obtained | | 11,431,879 | 12,943,380 | 19,608,588 |
| Payments of repurchase agreements | | (13,274,958) | (14,353,441) | (13,769,830) |
| Collections of debts and financial obligations obtained | | 1,660,449 | 1,189,257 | 2,907,785 |
| Payments of debts and financial obligations obtained | | (1,184,467) | (1,109,814) | (3,087,334) |
| Issuance of securities, bonds and obligations outstanding | | - | - | 1,061,400 |
| Payments of securities, bonds and obligations outstanding | | (137,900) | (110,000) | (1,072,616) |
| (Net increase) net decrease in receivable inter-bank funds | | (266,117) | (11,897) | 66,901 |
| Net increase (net decrease) of inter-bank funds obtained | | 30,012 | (28,971) | (142,253) |
| Collection of dividends | | 15,031 | 11,687 | 19,403 |
| Payment of dividends | 13(a) | (600,238) | - | (302,273) |
| Net cash provided by (used in) financing activities | | <u>(2,326,309)</u> | <u>(1,469,799)</u> | <u>5,289,771</u> |
| (Net decrease) net increase in cash before the effect of changes in the exchange rate | | (2,785,248) | (4,006,052) | 7,960,683 |
| Effect of changes in exchange rate of cash and cash equivalents | | (350,420) | 623,220 | 618,130 |
| (Net decrease) net increase in cash | | (3,135,668) | (3,382,832) | 8,578,813 |
| Balance of cash at the beginning of year | | 13,698,994 | 17,081,826 | 8,503,013 |
| Balance of cash at the end of year | | <u>10,563,326</u> | <u>13,698,994</u> | <u>17,081,826</u> |

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

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Banco Internacional del Perú S.A.A. - Interbank

Notes to the financial statements

As of December 31, 2022 and 2021 (audited)

1. Operations

(a) Business activity -

Banco Internacional del Perú S.A.A.- Interbank (henceforth "the Bank") is a Subsidiary of Intercorp Financial Services Inc. (henceforth "IFS"), a holding corporation incorporated in the Republic of Panama in the year 2006, that owns 99.30 percent of the Bank's capital stock as of December 31, 2022 and 2021. In turn, IFS is a Subsidiary of Intercorp Perú Ltd.

The Bank is authorized by the Superintendence of Banking, Insurance and Private Pension Funds Administrators (henceforth "SBS", by its Spanish acronym) to perform multiple banking activities in accordance with Peruvian legislation. The Bank's operations are governed by the "Ley General del Sistema Financiero y de Seguros y Orgánica de la SBS", Act No. 26702 and amendments (General Act of the Financial and Insurance System and Organic of the SBS), which establishes the requirements, rights, obligations, guarantees, restrictions and other operating conditions to which legal entities operating in the financial and insurance system are subject.

The Bank's legal domicile is Av. Carlos Villarán 140, Urb. Santa Catalina, La Victoria, Lima, Peru. As of December 31, 2022, the Bank operated 164 offices (189 offices as of December 31, 2021).

The financial statements as of December 31, 2021, and for the year then ended, were approved by the General Shareholders' Meeting held on March 29, 2022. The financial statements as of December 31, 2022 and for the year then ended, have been approved by the Management on February 14, 2023, and will be submitted for approval by the Board of Directors and the General Shareholders' Meeting that will be held within the deadline established by law.

(b) Political and social conflict -

On December 7, 2022, Pedro Castillo, then president of Peru, attempted to stage a coup d'état and establish an emergency government; however, after said decision, the Congress of the Republic assembled in extraordinary session and through Resolution No. 001-2022-2023-CR, declared the permanent moral incapacity of the President and decided his vacancy. A constitutional succession was performed, and thus the vice-president, Dina Boluarte, was designated as the new president of Peru.

Since said date, a series of demonstrations and protests has erupted in the country, containing several demands of which the main ones are the resignation of president Boluarte and bringing forward the presidential election.

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Notes to the financial statements (continued)

Due to this situation, on December 14 and 15, 2022, the Prime Minister's Office issued Supreme Decrees No. 143-2022-PCM and No. 144-2022-PCM, which declared a State of Emergency for 30 days, suspending constitutional rights related to the inviolability of the home, free transit through the national territory, freedom of assembly and freedom of personal security; as well as establishing a 5-day mandatory social immobilization nationwide, respectively.

Posteriorly, through Supreme Decree No. 009-2023-PCM, issued on January 14, 2023, it was decided to modify the National State of Emergency and declare the state of Emergency in just some provinces for 30 additional days.

Given this situation, on December 22, 2022, the SBS issued the Official Multiple Letter No. 54961-2022-SBS, whose measures are described in detail in Note 2(a)(ii).

The Bank has assessed and will continue monitoring the possible implications of this situation and the measures that may be adopted both by the government and by the SBS.

(c) Pandemic Covid-19 -

In March 2020, the World Health Organization declared "Covid-19" as a global pandemic, which resulted in diverse measures as travel restrictions, strict prolonged quarantines and, as consequence, the slowing down of commercial activities and of the Peruvian economy in general. The reopening of economic activities was performed gradually according to a plan designed and approved by the Peruvian government, starting in May 2020 following a series of protocols and, by the first semester of 2022, economic activities were operating at levels previous to the pandemic.

Considering the Covid-19 pandemic context, the Ministry of Economy and Finance ("MEF"), the Central Reserve Bank of Peru ("BCRP") and the SBS activated extraordinary measures, mainly during 2020, aimed to alleviate the impact derived from the pandemic Covid-19. Said measures were related to facilities to reschedule loans (deferred payments), the suspension of the counting of past-due days and the launching of credit programs guaranteed by the Peruvian government, such as the "Reactiva Peru" program which consisted of granting companies loans guaranteed by the Peruvian government through financial entities. These measures are described in further detail in Note 2(a)(ii).

The Bank monitored the situation closely and Management took a series of financial measures in order to handle this scenario. In Management's opinion, these and other additional measures implemented by the Bank have allowed and will allow handling adequately the negative effects of the Covid-19 pandemic.

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Notes to the financial statements (continued)

2. Accounting principles and practices

In the preparation and presentation of the accompanying financial statements, Management has complied with the SBS's regulations in force in Peru. The accounting principles and practices as of December 31, 2022, have not changed compared to the principles followed as of December 31, 2021, summarized in the audited report dated February 22, 2022.

The following are the main accounting principles used in the preparation of these financial statements.

(a) Basis for presentation, use of estimates and accounting changes -

(i) Basis for presentation and use of estimates

The accompanying financial statements have been prepared in soles from the Bank's accounting records, which are maintained in nominal monetary terms at each transaction's date, in accordance with SBS regulations in effect in Peru as of December 31, 2022 and 2021, and in a supplemental manner, in the absence of specific SBS regulations, with the International Financial Reporting Standards - IFRS, approved in Peru through resolutions issued by the Consejo Normativo de Contabilidad (Peruvian Council for Accounting Standards, henceforth "CNC", by its Spanish acronym) in force in Peru as of December 31, 2022 and 2021 see paragraph (v.1) below.

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

The most significant estimates related to the accompanying financial statements correspond to the provision for loan losses, the valuation of derivative financial instruments, valuation and impairment of investments, the useful life and recoverable value of property, furniture and equipment and intangible assets, and the calculation of deferred Income Tax. The accounting criteria for each of these estimates are described below.

The accompanying financial statements do not include the effects of the consolidation of the Bank with its Subsidiaries detailed in Note 6, because their non-consolidation, individually or in aggregate, does not significantly affect the Bank's financial position, operating results and cash flows. The Subsidiaries are accounted using the equity method (see Note 2(h)) after adjustments to standardize their balances according to SBS rules. Their consolidation would not have changed neither the Bank's reported net income nor equity as of December 31, 2022, 2021 and 2020.

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Notes to the financial statements (continued)

(ii) Changes in accounting policies and new pronouncements

As mentioned in Note 1(b), as result of the social conflicts the country is facing, on December 22, 2022, the SBS issued the Official Multiple Letter No. 54961-2022-SBS, through which authorized the financial entities to reschedule loans of their retail clients that had been affected by the social conflicts the country is experiencing since December 2022. In order to access to these reschedulings, the client must comply with the following conditions: be classified as Normal or With Potential Problems ("CPP" by its Spanish acronym), do not have arrears of more than 30 days, and the rescheduled term cannot be extended for more than 2 months.

As of December 31, 2022, the Bank has not performed any loan rescheduling related to the social conflicts; however, as of the date of this report, the Bank is analyzing the need to grant these reschedulings to clients that may need them.

As mentioned in Note 1(c), as result of the situation derived from the Covid-19 pandemic, the Peruvian government, the MEF, the BCRP and the SBS issued the following regulations containing extraordinary measures:

(a) Repayment facilities for clients -

Between March and July 2020, the SBS issued a series of Official Multiple Letters, which are no longer in force and that established extraordinary measures applicable to the loan portfolio, mainly facilities to reschedule loans and the suspension of the counting of past-due days with the purpose of facilitating the debt payment to financial entities from client who were affected by the restrictive measures taken by the government of Peru because of the Covid-19 pandemic.

In this regard, during the year 2020, the Bank modified loans for an approximate amount of S/12,663,960,000, and recognized lower interest for non-retail loans for an approximate amount of S/2,714,000.

In February and March 2021, the SBS issued new Official Letters through which it authorized the financial entities to reschedule their clients' loans during the year 2021. The Bank did not perform loan reschedulings regarding said Official Letters.

As of December 31, 2022 and 2021, the balance of rescheduled loans amounts to approximately S/5,048,978,000 and S/6,266,601,000, respectively.

During the year 2020, the Bank recorded voluntary provisions associated to the effects of Pandemic Covid-19 for approximately S/637,491,000; as of December 31, 2022 and 2021, the balance of these voluntary provisions amounts to S/240,587,000 and S/247,153,000, respectively.

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Notes to the financial statements (continued)

Suspension of counting of past due days

On the other hand, the SBS decided to suspend the counting of past due days from February 29, 2020, until July 31, 2020.

During the year 2020, if the Bank would not have suspended the counting of past due days of these clients, as indicated in the paragraph above, the provision required for these clients would have amounted to S/65,739,000. It should be mentioned that the Bank constituted voluntary provisions for this amount to cover this credit risk increase.

As of December 31, 2021, the balance of these voluntary provisions associated to the suspension of the counting of past due days amounted to S/11,005,000; for the year 2022, these provisions were reallocated.

In Bank Management's opinion, the Bank has complied with all the regulations established by the SBS in relation with the credit rescheduling, interest recognition, suspension of the counting of past due days and has sufficient voluntary provisions to deal with the increase in the credit risk of these rescheduled clients.

(b) Additional provisions for rescheduled loans -

SBS Resolution No. 3155-2020, issued on December 17, 2020.

Establishes that for the loans rescheduled due to Covid-19, debtors classified as Normal are deemed debtors with credit risk higher than Normal, thus corresponding to them the credit risk level With Potential Problems ("CPP" by its Spanish acronym). These loans are subject to the application of specific provisions corresponding to the category CPP, which is applicable to consumer, micro-business and small-business loans.

As of December 31, 2020, the Bank recorded provisions for the rescheduled loans of debtors classified as Normal for approximately S/12,669,000.

Posteriorly, on December 23, 2021, the SBS issued Resolution No. 3922-2021, which establishes that for the loans rescheduled due to Covid-19, accounted for as such, the entities of the financial system shall apply additional provisions, simulating a lower credit classification.

As of December 31, 2022, the Bank recorded provisions for rescheduled loans from debtors classified as Normal, CPP and Substandard for approximately S/11,491,000 (as of December 31, 2021, recorded provisions for rescheduled loans from debtors classified as Normal, CPP and Substandard for approximately S/66,382,000)

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Notes to the financial statements (continued)

- (c) Suspension in the presentation of rescheduled loans -
According to Official Multiple Letter No. 19109-2020, issued on August 7, 2020, the SBS communicated some supplementary provisions related to the operations subject to the measures set out through the Official Multiple Letters described in paragraph (a) above. The main provisions indicate that in case the rescheduled clients make timely payments of their installments, for a period of time established by the Official Multiple Letters, they must no longer be presented as rescheduled loans in the off-balance sheet sub-account "8109.37 - Rescheduled loans - State of Health Emergency".

As of December 31, 2022 and 2021, the Bank stopped to account for, in sub-account 8109.37 "Rescheduled loans - State of Health Emergency", rescheduled loans for an approximate amount of S/3,683,084,000 and S/3,758,724,000, respectively, because the regulations described above were complied with.

- (d) "Reactiva Peru" Program -
The "Reactiva Peru" program was created by Legislative Decree No. 1455-2020 to grant loans to companies, through the financial entities, guaranteed by the Peruvian Government, with the purpose of maintaining the continuity of the payments chain. The program is aimed to micro, small, medium and large companies.
The SBS provided specifications for the accounting of said operations, and also established that the recording of interest is performed in a cumulative manner and establishes that the credit risk provision of loans covered by the guarantee of the "Reactiva Peru" program shall be 0 percent. This program was solely in force during the year 2020.

During the year 2020, the Bank has granted loans under this modality for S/6,617,142,000. On December 31, 2022 and 2021, the Bank holds a balance from loans of the "Reactiva Peru" program for approximately S/2,357,201,000 and S/4,976,073,000, including accrued interest amounting to S/57,254,000 y S/79,936,000. The amounts covered by the guarantee of the Peruvian government amounted to S/2,040,379,000 y S/4,421,999,000 respectively.

Rescheduling of "Reactiva Peru" loans

The Peruvian government, through the MEF and the SBS, issued a series of Resolutions and Official Multiple Letters, which establishes measures aimed to the rescheduling of the loans guaranteed by the "Reactiva Peru" program.

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Notes to the financial statements (continued)

In this regard, during the year 2022 and 2021, the Bank modified loans under the "Reactiva Peru" program for an approximate amount of S/133,046,000 and S/2,012,855,000. As of December 31, 2022 and 2021, the balance of rescheduled loans of the "Reactiva Peru" program amounted to approximately S/1,473,770,000 and S/1,974,180,000 respectively.

- (e) Regulatory capital -
SBS Resolution No. 1264-2020, issued on March 26, 2020 -
Establishes that the modifications to contractual conditions indicated in the Official Multiple Letters mentioned in paragraph (a) above, shall not increase the requirement of regulatory capital for non-revolving consumer loans and mortgage loans. Likewise, said Resolution authorizes the financial entities to use their supplementary regulatory capital for the component of the economic cycle; see Note 13 (f).

Through Multiple Official Letter No. 27358-2021, dated June 2, 2021, and Emergency Decree 003-2022, dated March 26, 2022, the SBS established that for the financial information corresponding to the period between April 2021 and August 2022, the regulatory capital for financial companies shall be equal or higher than 8 percent of total risk-weighted assets and contingencies and for the period between September 2022 and March 2023, it will be of 8.5 percent risk-weighted assets and contingencies, equivalent to the sum of the market risk regulatory capital multiplied by 10, plus the operating risk regulatory capital multiplied by 10, and plus the risk-weighted assets and contingencies.

SBS Resolution No. 3921-2021, issued on December 23, 2021, establishes the modification to the calculation of the additional regulatory capital requirement for market concentration, considering the criteria of size, interconnection, substitutability and complexity. Also, it establishes an adaptation period of two years starting in December 2022.

In Management's opinion, the Bank complies with the regulations established by the SBS regarding the regulatory capital.

- (f) Repurchase agreements of loan portfolio represented by securities -
On April 3, 2020, the BCRP issued the Circular Letter No.0014-2020-BCRP. In this Letter, the BCRP establishes the characteristics and procedures of the loan portfolio repurchase agreements guaranteed by the Peruvian Government. At the sale date, the Bank receives the local currency (the sale amount) and, in the same act, is obliged to repurchase said portfolio (the repurchase amount). The BCRP disburses the 80 percent of the funds in the current account that the Bank holds at

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Notes to the financial statements (continued)

the BCRP and the remaining part, in a restricted account also held by the Bank at the BCRP.

Regarding the loan portfolio repurchase agreements, the SBS issued Official Multiple Letters No.11518-2020 and No.12791-2020, on April 7 and May 8, 2020, respectively. Through these Official Multiple Letters, the SBS provides the accounting treatment of said operations, as well as some disclosure requirements to the SBS. According to said Official Multiple Letters, the loan portfolio shall not be derecognized and provisions shall keep being constituted for the portfolio subject to the repurchase agreement.

During the years 2022 and 2021, the Bank agreed on loan portfolio repurchase agreements represented by securities for an approximate amount of S/42,461,000 and S/4,183,571,000. On December 31, 2022 and 2021, the Bank holds this type of repurchase agreements for approximately S/1,913,424,000 and S/4,401,121,000, interest included; see Note 5(a)(*).

- (g) Provisions with charge to equity -
Official Multiple Letter No.42138-2020, issued on December 23, 2020, which gives information to the entities of the financial system that, on an exceptional basis and subject to previous authorization by the SBS, they will be able to reduce their capital stock, legal reserve and/or other equity accounts, with the purpose of constituting new specific and/or generic provisions (including voluntary provisions) for their loan portfolio. As of December 31, 2022 and 2021, Management decided to not record provisions with charge to equity accounts.
- (h) Other economic programs driven by the Peruvian government -
During the year 2020, the Peruvian government promoted a series of programs aimed to mitigate the economic impact generated by Covid-19, in which the Bank decided to not take part (Business Support Fund for MYPE - "FAE MYPE"(by its Spanish acronym), Business Support Fund for MYPE of the Tourism Sector ("FAE Turismo" by its Spanish acronym) and Business Support Fund for MYPE of the Agricultural Sector ("FAE Agro" by its Spanish acronym).

- (b) Currency -
Functional and presentation currency -
The Bank considers the sol as its functional and reporting currency, because it reflects the nature of the economic events and the relevant circumstances of the Bank, given that its main operations and/or transactions, such as: loans granted, financing obtained, interest income and expenses, as well as its main purchases, are established and settled in soles.

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Notes to the financial statements (continued)

Transactions and balances in foreign currency -

Assets and liabilities in foreign currency are recorded at the exchange rate prevailing at the date that transactions are performed. Monetary assets and liabilities denominated in foreign currency are translated into soles at the closing exchange rate of the corresponding month using the exchange rate set by the SBS; see Note 24.2(b)(ii). Gains or losses resulting from the translation of monetary assets and liabilities into foreign currency at the exchange rates prevailing at the date of the statement of financial position are recorded in the statement of income of the period as "Gain on exchange difference and exchange operations" within the caption "Gain on financial transactions"; see Note 18 (a)

(c) Financial instruments -

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

Financial assets and liabilities reported in the statement of financial position include cash and due from banks, inter-bank funds, investments at fair value through profit or loss, available-for-sale and held-to-maturity investments, loan portfolio, net, assets reported in the caption "Other assets, net", except for those identified as non-financial instruments, and liabilities in general, except for those identified as non-financial instruments presented in the caption "Provisions and other liabilities"; see Note 8(a). Likewise, all indirect loans and derivative products are considered to be financial instruments.

The specific accounting policies for recognition and measurement of each of these items are disclosed in the respective accounting policies included in this Note.

(d) Recognition of income and expenses -

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

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Notes to the financial statements (continued)

Interest income include interest accrued on fixed income investments, classified as available-for-sale and held-to-maturity investments, as well as income from discounts and premiums on such financial instruments. Dividends are recognized as income when declared.

Commissions from financial services related to the maintenance of loans granted are recognized as income when accrued.

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

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

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

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

The provision for loan losses was determined following the guidelines established by SBS Resolution No. 11356-2008 "Regulation on Debtors Assessment and Classification and Provision Requirements", SBS Resolution No. 6941-2008 "Regulation for the Managing of the Risk from Retail Debtors with High Leverage Levels" and SBS Resolution No. 3922-2021 "Additional Provisions for Rescheduled Loans". In general, these guidelines include the following three components: (i) the provision for loan losses resulting from the risk rating of the loan portfolio, (ii) the pro-cyclical rule activated by the SBS based on the behavior of specific domestic macro-economic variables, (iii) the over-indebtedness provisions of the retail portfolio; and (iv) additional provisions for rescheduled loans; see Note 2(a)(ii)(b).

The provision for the risk rating of the portfolio is determined based on the assessment that Management periodically performs over the loan portfolio, classifying it into one of the following categories: normal, with potential problems, substandard, doubtful or loss, depending on the non-payment risk grade of each debtor.

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Notes to the financial statements (continued)

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

The provision is computed considering the risk classifications assigned and using specific percentages, which vary depending upon whether the loans are backed by highly liquid preferred guarantees - LWHLPG (cash deposits and rights over credit letters); by readily preferred guarantees - LWRPG (public debt instruments issued by the Peruvian Government, marketable securities listed within the Selective Index of the Lima Stock Exchange, among others); or by preferred guarantees - LWPG (primary pledge on financial instruments or movable and immovable property, primary pledge on agricultural or mining concessions, insurance on export credits, among others). The guarantees received are considered at their net realizable value as determined by independent appraisers. Likewise, the computing of the provision must consider the credit classification of the guarantor or guaranteeing party for credits with subsidiary responsibility by a financial or insurance entity (loans subject to credit counterparty - CAC).

The provisions for customers classified as doubtful or loss for more than 36 and 24 months, respectively, are computed without considering the value of the guarantees.

For past due loans over 90 days, the expected loss is estimated and, if it is greater than the provision recorded, the Bank must record additional provisions.

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

The pro-cyclical provision is calculated for loans classified as normal, based on the percentages established by the SBS. As of December 31, 2022 and 2021, the pro-cyclical component of the provision is suspended by the SBS; however, the Bank maintains a pro-cyclical provision amounting to S/113,837,000 and S/114,994,000; respectively, that to date has not been reassigned to any specific provisions; see Note 5(e).

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Notes to the financial statements (continued)

The provision for over-indebtedness of the retail loan portfolio requires that financial entities must establish a risk management system that reduces debt over-indebtedness risk before and after the granting of the loan; carry out permanent monitoring of the portfolio in order to identify the over-indebted debtors, which includes a periodic evaluation of control mechanisms used, as well as the corrective action or improvements required, as applicable. For provisioning purposes, the financial entities that fail to comply with this rule to the satisfaction of the SBS, must calculate the exposure equivalent to the credit risk by applying a 20 percent factor to the unused amount of revolving credit lines for micro-business and consumer debtors, and on the basis of said amount, compute the provision according to the debtor's classification. In application of this regulation, the Bank maintains provisions for approximately S/18,580,000 as of December 31, 2022 and 2021, respectively.

The provision for loan losses for direct loans is presented as an asset deduction, while the provision for indirect loans is presented as a liability; see Note 5(f).

Acquisition of loan portfolio -

In accordance with the requirements established by the SBS, the accounting record of the acquisition of the loan portfolio is made at its gross value, which considers the historical cost and the provision for loan losses accumulated at that date. Likewise, the gain originated by the acquisition will be recognized as a deferred income that will be accrued in the statement of income as customers pay the outstanding balances; while the resulting loss, if any, is recorded in the statement of income at the acquisition date.

During the year 2022, the Bank acquired 3 commercial loans at their nominal value from Scotiabank Perú S.A.A. and Citibank N.A., a loan in Soles amounting to S/30,699,000, and 2 loans in foreign currency whose total amounted to US\$35,000,000.00 (equivalent to approximately S/133,490,000).

During the year 2021, the Bank acquired a loan portfolio from JP Morgan Chase at its nominal value for an amount of US\$21,718,000 (equivalent to approximately S/79,034,000).

- (f) Derivative financial instruments -
SBS Resolution No. 1737-2006 "Regulation for Trading and Accounting of Financial Derivative Instruments for Financial Entities" and its amendments, establishes the criteria for the accounting of transactions with derivatives classified as trading and hedging, as well as embedded derivatives, as explained below:

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Notes to the financial statements (continued)

Trading derivatives -

Derivative financial instruments are initially recognized in the statement of financial position at cost and are subsequently carried at fair value, recognizing an asset or liability in the statement of financial position and the correspondent gain or loss in the statement of income. Also, transactions with derivative financial instruments are recorded in off-balance sheet accounts at their notional amount in the committed currency; see Note 8(b).

The fair values are determined based on market exchange rates and interest rates.

Hedging derivatives -

A derivative financial instrument that seeks to achieve economic coverage of a certain risk is designated as accounting hedge if, on the date of its negotiation, it is expected that changes on its fair value or cash flows will be highly effective in offsetting changes in the fair value or cash flows of the item hedged from the inception, this expectation must be documented when the derivative instrument is first traded and throughout the period during which the hedge is in effect. A hedge is considered as highly effective if it is expected that changes in the fair value or cash flows of the hedged item and the hedging instrument ranges between 80 and 125 percent.

As of December 31, 2022 and 2021, the Bank solely held cash flow hedge instruments; see Note 8(b). For this type of hedging instruments, the effective portion of changes in the fair value of hedging derivatives is recognized directly in equity, in the caption "Unrealized results" as a cash flow hedges reserve, net of the related taxes, and any gain or loss related to the ineffective portion is recognized immediately in the statement of income. Amounts accumulated in equity for hedging cash flows are transferred to the statement of income in the periods when the hedged item is recorded in the statement of income or when an expected transaction occurs.

On the other hand, if the hedge instrument expires, is sold, settled or exerted, or at the moment that the hedge instrument does not comply with the required accounting criteria for hedges, the hedge is terminated in a prospectively manner and the balances recorded in the equity are transferred to the statement of income during the hedged item's term.

Embedded (implicit) derivatives -

Certain derivatives incorporated in other financial instruments (principal or host contract) are treated as separate derivatives when their economic characteristics and risks are not closely related to the risks of the host contract and when the host contract is not carried at fair value through profit or loss. These embedded derivatives are separated from the host instrument and are recognized at fair value in the statement of income, unless the Bank chooses to designate the hybrid contract (host and embedded derivatives) at its fair value through profit or loss.

As of December 31, 2022 and 2021, the Bank does not hold financial instruments for which embedded derivatives must be separated.

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Notes to the financial statements (continued)

- (g) Investments at fair value through profit or loss (trading), available-for-sale and held-to-maturity investments -

Investments are valued following SBS Resolutions SBS No. 7033-2012, SBS No. 2610-2018 and amendments.

The criteria for the classification and valuation of said investments are as follows:

- Classification

- (i) Investments at fair value through profit or loss

This category has two sub-categories:

- Investments maintained for negotiation, which are acquired with the purpose of selling or repurchasing in the short term.
- Investments at fair value through profit or loss, since their inception, which are part of an identified portfolio of financial instruments that are managed together and for which there has been a demonstrated recent pattern of taking gains in the short term. As of December 31, 2022 and 2021, the Bank does not hold any instruments classified under this sub-category.

- (ii) Available-for-sale investments

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

- (iii) Held-to-maturity investments

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

- Be acquired or reclassified for the purpose of holding them until their maturity date; except for the cases when their sale, assignment or reclassification are allowed by the SBS.
- They must have risk ratings as required by the SBS.

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

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Notes to the financial statements (continued)

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

- Initial recognition and measurement -
 - (i) Investments at fair value through profit or loss - Their initial accounting is carried out at fair value, recording the transaction costs as expenses. Their valuation corresponds to the fair value and the gain or loss originated from the change between their initial recognition and the fair value is directly recorded in the statement of income.

 - (ii) Available-for-sale Investments - The initial accounting record is performed at fair value, including the transaction costs that are directly attributable to their acquisition. Their valuation corresponds to fair value and the gain or loss originated from the change between their initial recognition and fair value is recorded directly in equity, unless an impairment loss is recorded. When the financial instrument is sold, the gain or loss, previously recorded as a part of the equity, is transferred to the statement of income of the period.

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

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

Interests are recognized by applying the effective interest rate method, which includes both the receivable interest and the amortization of the premium or discount existing in the acquisition.

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

- Impairment assessment -
SBS Resolution No. 7033-2012 and amendments, as well as SBS Resolution No. 2610-2018, establish a standard methodology for the identification of the impairment on available-for-sale and held-to-maturity investments. This methodology is applied quarterly to all debt-representing and equity instruments classified into the following categories:

Translation of financial statements originally issued in Spanish - Note 25

Notes to the financial statements (continued)

(i) Debt instruments:

At the end of each quarter, the following occurrences must be assessed for the entire debt-representing portfolio:

1. Weakening in the financial situation or financial ratios of the issuer and of its economic group.
2. Discount in any of the credit ratings of the instrument or of the issuer, in at least two (2) notches, from the moment the instrument was acquired; where a notch corresponds to the minimum difference between two risk ratings within the same rating scale.
3. Interruption of transactions or of an active market for the financial asset, due to the issuer's financial difficulties.
4. The observable data indicates that since the initial recognition of a group of financial assets with characteristics similar to the instrument evaluated, there is a measurable decrease in its estimated future cash flows, although it cannot yet be identified with the group's individual financial assets.
5. Decrease in value due to regulatory changes (taxing, regulatory or other governmental).
6. Significant decrease in the fair value below its amortized cost. It is considered as a significant decrease if the fair value at the closing date has decreased at least 40 percent below its amortized cost as of that date.
7. Prolonged decrease in fair value. It is considered as a prolonged decrease if the fair value at the closing date has decreased at least 20 percent compared to the amortized cost of the previous twelve (12) months, and the fair value at the closing date of each month during the previous period of twelve (12) months has always remained below the amortized cost corresponding to the closing date of each month.

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

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Notes to the financial statements (continued)

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

- (a) Non-compliance of contractual clauses, such as interruption in the payment of interest or principal.
 - (b) Renegotiation of the instrument's contractual conditions due to legal factors or financial problems related to the issuer.
 - (c) Evidence that the issuer is in the process of forced restructuring or bankruptcy.
 - (d) When the risk rating of an instrument that was classified as investment grade is reduced, down to a rating that is below investment grade.
- (ii) Equity Instruments:
- At the end of each quarter, the following occurrences must be assessed for the entire portfolio of equity instruments:
1. When the risk rating of a debt instrument of the issuer that was classified as an investment grade is reduced, towards a classification that is below the investment grade.
 2. There have been significant changes in the technological, market, economic or legal environment within which the issuer operates, which may have adverse effects on the recovery of the investment.
 3. Weakness in the financial situation or financial ratios of the issuer and its economic group.
 4. Interruption of transactions or an active market for the financial asset, due to financial difficulties of the issuer.
 5. The observable data indicates that since the initial recognition of a group of financial assets similar to the instrument evaluated, there is a measurable decrease in its estimated future cash flows, although it cannot yet be identified with individual financial assets of the group.
 6. Decrease in value due to regulatory changes (tax, regulatory or other governmental).

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Notes to the financial statements (continued)

7. In the event that at least two (2) of the situations described above are met, it will be deemed the presence of impairment. In the event that at least two (2) of the situations described above have not occurred, it is sufficient that one of the following specific situations occur to consider the presence impairment:
 - (a) Significant decrease in fair value below its acquisition cost. It is considered as a significant decrease if the fair value at the closing date has decreased at least 40 percent below its cost. As cost value or acquisition cost, the initial cost will always be taken as a reference, regardless of whether a deterioration in value has been previously recognized for the equity instrument analyzed.
 - (b) Prolonged decrease in fair value. It is considered as a prolonged decrease if the fair value at the closing date has decreased by at least 20 percent compared to the fair value of the previous twelve (12) months, and the fair value at the closing date of each month during the previous twelve (12) months has always remained below the acquisition cost.
 - (c) Breach of the statutory provisions by the issuer, related to the payment of dividends.
 - (d) Evidence that the issuer is in the process of forced restructuring or bankruptcy.

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

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

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

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Notes to the financial statements (continued)

- Changes in classification category -
In the case of changes in the classification category from available-for-sale investments to held-to-maturity investments, the fair value of the financial asset on the date of transaction becomes its new amortized cost. Any previous gain or loss of the asset that has been recognized in other comprehensive income shall be amortized over the remaining life of the investment using the effective interest method. Any difference between the new amortized cost and maturity amount shall be amortized using the interest rate method during the life of the financial instrument in a similar manner as the amortization of a premium or discount. If the asset subsequently becomes impaired, any gain or loss remaining in other comprehensive income shall be reclassified to profit or loss. During the year 2021 and 2020, the Bank did not perform any reclassifications.

- Derecognition of financial assets and liabilities -

Financial assets

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

Financial liabilities

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

- (h) Investments in Subsidiaries and associates -
This category includes only securities representing the capital acquired with the purpose of holding equity participation, control and/or significant influence in other entities or institutions.

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Notes to the financial statements (continued)

These investments are initially accounted at fair value, including the transaction costs that are directly attributable to their acquisition. Subsequently to their original registration, these investments are measured through the equity method. In the case of investments quoted on security exchanges, when their market value shows a decreasing tendency for reasons considered non-temporary, the Bank records a provision; nonetheless, the SBS can require additional provisions. According to the equity method, dividends declared by the Subsidiaries and paid in cash are recorded by decreasing the value of the investment.

- (i) **Property, furniture and equipment -**
Property, furniture and equipment are recorded at acquisition cost, plus the voluntary revaluations performed in previous years, authorized by the SBS, less accumulated depreciation. Considering that said revaluation was carried out only once, there is no intention that the revalued assets are reported at their fair value; therefore, the revalued value is considered as cost of acquisition.

Depreciation is calculated on a straight-line basis, considering the following depreciation rates for each type of asset:

| | Depreciation rate (%) |
|--------------------------|----------------------------------|
| Buildings and facilities | 3 - 10 |
| Furniture and equipment | 10 - 20 |
| Vehicles | 20 |

The depreciation of leasehold improvements is performed within the respective contracts' terms.

In-transit equipment and work-in-progress amounts are accounted for at cost, which includes facilities, furniture and equipment in transit or under construction. This includes the acquisition or construction cost together with other costs directly attributable to the asset. These assets are not depreciated until the relevant assets are received or finished and placed into service.

Maintenance and repair costs are recorded as expenses. Renewals and improvements are capitalized only when these disbursements enhance the asset's condition. The cost and accumulated depreciation of assets sold or disposed are eliminated from the corresponding accounts and the related gain or loss is recorded in the statement of income.

- (j) **Assets received as payment and seized through legal actions -**
Assets received as payment and seized through legal actions include assets acquired with the specific purpose of being granted as leasing loans, are initially recorded at their acquisition cost; assets that are not granted in financial leases are recorded at cost or market value, whichever the lowest.

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Notes to the financial statements (continued)

Assets received as payment, seized through legal action and recovered (provided from terminated leasing contracts) are initially recorded at the value assigned to them through a legal proceeding, out-of-court settlement, market value or at the unpaid value of the debt, whichever the lowest, recognizing simultaneously, a provision equivalent to 20 percent of the assigned value. For this purpose, it is permitted to maintain the provision for loan losses that was originally provided for the related loan.

Subsequently, additional provisions are to be recorded using the following criteria:

- Non-real estate assets: A monthly provision equivalent to one twelfth of the book value of the asset will be recognized starting from the first month of seizure or recovery, until reaching one hundred percent of the value of the seized or recovered asset.
- Real estate assets: A monthly provision over the net book value will be provided starting from the twelfth month. Additionally, the SBS Resolution No. 1535-2005 allows the granting of an extension of six months, in which case uniform monthly provisions must be provided for at the end of each month over the net book value obtained in the eighteenth month. In both cases, the provisions are to achieve one hundred percent of the net book value in a period of three and a half years, counted from the date on which it began to be the monthly provisions.

An annual update of the market value of seized assets, determined by an independent appraiser, implies, if necessary, the constitution of an impairment provision.

As of December 31, 2022 and 2021, the balance of assets received as payment and seized through legal actions, net of provisions, amount to approximately S/15,278,000 and S/15,917,000, respectively, and are presented as "Assets seized through legal actions" in the caption "Other assets, net - Others" of the statement of financial position, see note 8(a).

- (k) Intangible assets with finite useful lives -
The intangible assets with finite useful lives that are included in the "Other assets, net" caption of the statement of financial position are related to the acquisition of computer software used by the Bank in its operations and other minor intangible assets. Amortization of assets with finite useful life is calculated following the straight-line method over a 5-year period; see Note 8(e).
- (l) Securities, bonds and obligations outstanding -
The liabilities from the issuance of outstanding securities, bonds and obligations are accounted for at their nominal value, recognizing accrued interest in the statement of income. The discounts granted or incomes generated for its placement are deferred and presented net of its issue value and are amortized over the life of the securities, bonds and obligations outstanding by applying the effective interest method.

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Notes to the financial statements (continued)

(m) Income Tax -

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

Therefore, the Bank has recorded deferred income taxes, considering the guidelines of IAS 12 "Income Tax". The deferred Income Tax reflects the effects of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts determined for tax purposes. Deferred assets and liabilities are measured using the tax rates expected to be applied to taxable income in the years when temporary differences are expected to be recovered or settled. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences which arise from the way in which the Bank expects to recover or eliminate the carrying amount of its assets and liabilities at the statement of financial position dates.

Deferred tax assets and liabilities are recognized regardless of when the temporary differences are likely to reverse. Deferred tax assets are recognized when it is probable that sufficient taxable income will be generated against which the deferred tax assets can be offset. At the date of each statement of financial position, Management evaluates the non-recognized deferred assets and the carrying amount of the recognized deferred tax assets, recording deferred assets not previously recognized to the extent that probable future tax benefits will allow their recovery, or reducing a deferred asset to the extent that it is not likely that future tax benefits will be sufficient to allow the use of part or all of the deferred assets previously recognized.

In accordance with IAS 12, the Bank determines its deferred tax considering the tax rate applicable to its non-distributed earnings; any additional tax on dividends distribution is recorded on the date a liability is recognized.

(n) Impairment of long-lived assets -

When there are events or economic changes which indicate that the value of property, furniture and equipment and intangible assets may not be recoverable, Management reviews those asset values in order to verify that there is no permanent impairment in their values. When the book value of the asset exceeds its recoverable value, an impairment loss is recognized in the statement of income. The recoverable value is the higher between the net selling price and its value in use. The net selling price is the amount that can be obtained from the sale of an asset on a free market, while the value in use is the present value of the estimated future cash flows from the continuous use of an asset and its disposal at the end of its depreciation period. In Management's opinion, there is no evidence of impairment of said assets as of December 31, 2022 and 2021.

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Notes to the financial statements (continued)

(o) Fiduciary operations -

Assets and revenues from fiduciary operations in which there is a commitment to return such assets to a customer and in which the Bank participates as a fiduciary, have been excluded from these financial statements because the Bank is not owner of such assets and cash flow and does not assume the risk and rewards that arise from their ownership; thus, they have been recorded, for fiduciary control purposes, as off-balance sheet accounts.

(p) Provisions -

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

(q) Contingencies -

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

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

(r) Earnings per share -

Basic and diluted earnings per share are calculated by dividing the net income by the weighted average number of shares outstanding at the statement of financial position dates, deducting treasury's stock. Shares that are issued due to the capitalization of retained earnings are deemed to be stock-splits; therefore, such shares have been considered as if they had always been outstanding; Note 21.

As of December 31, 2022 and 2021, the Bank has no financial instruments with dilutive effects; therefore, basic and diluted earnings /per share are the same.

(s) Repurchase agreements -

Through SBS Resolution No. 5790-2014, in force since September 3, 2014, the SBS approved the "Regulation for Repo Transactions Applicable to Financial Entities". This Resolution allows the performance of sales operations with repurchase agreements, simultaneous operations of sale and purchase of securities and operations of temporary transfer of securities; also, it establishes the accounting criteria applicable to these transactions.

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Notes to the financial statements (continued)

The operations of currency repos performed by the Central Reserve Bank of Peru (henceforth "BCRP", by its Spanish acronym) are considered in accordance with the Circular Letter No. 002-2015-BCRP.

As of December 31, 2022, the Bank holds security repo transactions (currency and security repo transactions as of December 31, 2021), according to the definition of the BCRP, where the Bank acts as selling party. Accordingly, the funds in foreign currency and the securities delivered as guarantees are included in the captions "Cash and due from banks - Restricted funds", "Available-for-sale investments" and "held-to-maturity investments", respectively, while the corresponding liabilities are presented in the "Payables from repurchase agreements" caption of the statement of financial position, reflecting the economic substance of the transaction as a loan received by the Bank.

Lastly and as part of the exceptional measures implemented to mitigate the financial and economic impact being generated by the Covid-19 pandemic, see Notes 1(c) and 2(a)(ii)(g), the BCRP issued Circular Letter No.0014-2020-BCRP, which entered into force on April 3, 2020, regarding the loan portfolio repurchase agreements. In this sense, the SBS issued Official Multiple Letters No.11518-2020 and No.12791-2020, on April 7 and May 8, 2020, respectively; said Official Multiple Letters provide with the accounting treatment of said operations, in this sense, the loan portfolio shall not be derecognized and provisions shall keep being constituted for the portfolio subject to the repurchase agreements.

As of December 31, 2022 and 2021, the Bank holds loan portfolio repurchase agreements represented by securities, according to the BCRP's definition, where the Bank acts as selling party. Consequently, the loan portfolio pledged as guarantee is presented in the caption "Loan portfolio, net", whereas the corresponding liability is presented in the caption "Accounts payable for repurchase agreements" of the statement of financial position, thus reflecting the economic substance as a loan received by the Bank.

- (t) Cash and cash equivalents -
Cash and cash equivalents presented in the statement of cash flows correspond to "Cash and due from banks" of the statement of financial position, which include deposits with less than a three-month maturity as of the acquisition date, BCRP time deposits, funds deposited in central banks and overnight deposits, excluding the interest accrued as well as restricted funds.
- (u) Financial statements as of December 31, 2022 and 2021 -
When necessary, certain comparative figures have been reclassified to make it comparable to the current year presentation.

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Notes to the financial statements (continued)

(v) New pronouncements -

(v.1) IFRS issued and effective in Peru as of December 31, 2022:

During 2022, the Accounting Policy Council ("CNC" by its acronym in Spanish) issued the following resolutions:

- Resolution No. 001-2022-EF/30, issued on March 24, 2022, which approved the amendment to International Financial Reporting Standards - IFRS 17 "Insurance Contracts".
- Resolution No. 002-2022-EF/30, issued on September 8, 2022, which approved the 2022 version of the Complete Set of IFRS as well as the Conceptual Framework of Financial Information.
- Resolution No. 003-2022-EF/30, issued on November 21, 2022, which approved the technical conditions for the application of IFRS.

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

Likewise, IFRS 16 "Leases" entered into effect in the year 2019, superseding IAS 17 "Leases", IFRIC 4 "Determining Whether an Arrangement Contains a Lease", SIC 15 "Operating Leases-Incentives" and SIC 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease"; which has important effects on the recognition of operating leases where the Bank is the lessee. However, the SBS issued the Official Multiple Letter No. 467-2019-SBS dated January 7, 2020, indicating the non-application of IFRS 16 for entities under its supervision. In that sense, as of December 31, 2022, the Bank has not included the effects of this standard neither disclosed any effect if this standard was adopted by the SBS in the future.

Likewise, in 2018, IFRS 9 "Financial Instruments" came into force, replacing IAS 39 "Financial Instruments: Recognition and Measurement", and may have material effects in the Bank's financial statements; however, the SBS has not modified or adapted its Accounting Manual for Entities of the Financial System for this standard. In this sense, as of December 31, 2022, the Bank has not reflected or disclosed any effect if this standard was adopted by the SBS in the future.

(v.2) IFRS issued internationally but not in force as of December 31, 2022:

- IFRS 17 "Insurance Contracts" is effective for reporting periods beginning on or after January 1, 2023, with the presentation of comparative figures required. Early adoption is permitted, considering that the entity also adopts IFRS 9 and IFRS 15 on the date that it adopts IFRS 17 for the first time.

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Notes to the financial statements (continued)

- Amendments to IAS 1 "Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current". The amendments are effective for annual periods beginning on January 1, 2023, and must be applied in a retrospective manner.
- Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates". The amendment is effective for annual reporting periods beginning on or after January 1, 2023, and applies to changes in accounting policies and in accounting estimates that occur at on after the beginning of the annual reporting period. Early adoption is permitted, provided that it is disclosed.
- Amendments to IAS 1 and to IFRS Practice Statement 2 "Disclosure of Accounting Policies". The amendment is effective for annual reporting periods beginning on or after January 1, 2023, and its early adoption is permitted. Given that the amendments to Practice Statement 2 provide a non-mandatory guideline for the application of the definition of material to the information on accounting policies, an effective date is not necessary for this amendment.
- Amendments to IAS 12 "Income Taxes": Deferred Tax related to assets and Liabilities Arising from a Single Transaction
In May 2021, the IASB issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

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

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Notes to the financial statements (continued)

3. Cash and due from banks

(a) The balances maintained by the Bank are shown below:

| | 2022 S/(000) | 2021 S/(000) |
|--|-------------------|-------------------|
| Cash and clearing (b) | 2,865,180 | 2,363,274 |
| Deposits in the Central Reserve Bank of Peru (b) | 6,918,526 | 10,445,851 |
| Deposits in local and foreign banks (c) | 779,620 | 889,869 |
| Accrued interest | 13,159 | 760 |
| Total cash and cash equivalents | <u>10,576,485</u> | <u>13,699,754</u> |
| Restricted funds (d) | 467,556 | 683,831 |
| Total | <u>11,044,041</u> | <u>14,383,585</u> |

(b) Available funds include the mandatory reserve that the Bank must maintain for its obligations with the public, and are within the limits established by prevailing legislation. The balances maintained by the Bank are shown below:

| | 2022 S/(000) | 2021 S/(000) |
|--|------------------|-------------------|
| Legal reserve (*) | | |
| Deposits in the Central Reserve Bank of Peru (BCRP) | 6,055,726 | 6,366,151 |
| Cash in vault | 2,719,277 | 2,171,601 |
| Subtotal related to legal reserve | <u>8,775,003</u> | <u>8,537,752</u> |
| Non-mandatory reserve | | |
| Overnight deposits in the Central Reserve Bank of Peru (BCRP) (**) | 762,800 | - |
| Cash and clearing | 145,903 | 191,673 |
| Time deposits in the Central Reserve Bank of Peru (BCRP) (***) | 100,000 | 4,079,700 |
| Subtotal related to non-mandatory reserve | <u>1,008,703</u> | <u>4,271,373</u> |
| Total | <u>9,783,706</u> | <u>12,809,125</u> |

(*) The legal reserve corresponds to the funds deposited in the vaults of the Bank and the Central Reserve Bank of Peru (henceforth "BCRP", by its Spanish acronym), and remains within the limits required by current regulation.

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Notes to the financial statements (continued)

The reserve funds that represent the minimum legal reserve do not earn interest; however, the excess of the legal reserve deposited in the BCRP earns interest at a nominal rate established by the BCRP. According to the information note "Interest rate of the reserve funds in the Central Reserve Bank of Peru", starting in February 2022, the rate used for the calculation of interest was the Secured Overnight Financing Rate ("SOFR") (in the year 2021, the rate used was the London Inter-Bank Offered Rate (LIBOR)). As of December 31, 2022, the monthly excess in foreign currency accrued interests in US dollars at an annual average rate of 3.79 percent (accrued interests in US dollars at an annual average rate of 0.01 percent as of December 31, 2021).

(**) As of December 31, 2022, correspond to 1 term overnight deposits in foreign currency about US\$200,000 (equivalent approximately to S/762,800,000) that the Bank holds in the BCRP, have maturity in the first days of January 2023, and accrue an annual interest rate of 4.39 percent.

(***) As of December 31, 2022, correspond to aterm deposits in local currency that the Bank holds in the BCRP, have maturity in the first days of January 2023, and accrue an annual interest rate of 7.50 percent (five term deposits in local currency have maturity in the first days of January 2022, and accrue an annual interest rate of 2.5 percent on December 31, 2021).

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

(d) The Bank maintains restricted funds related to:

| | 2022 | 2021 |
|---|-----------------------|-----------------------|
| | S/(000) | S/(000) |
| Inter-bank transfers (*) | 431,052 | 141,681 |
| Derivative financial instruments, Note 8(b) | 34,784 | 121,613 |
| Repurchase agreements with the BCRP (**) | - | 419,410 |
| Other | 1,720 | 1,127 |
| Total | <u>467,556</u> | <u>683,831</u> |

(*) In November 2020, the BCRP issued Circular Letter No. 030-2020, that updated the Regulation on the Service of Immediate Transfers Clearance among the different banks of the Peruvian financial system, which currently operates under the 24-hour scheme all days of the week. Posteriorly, in August 2021, the BCRP issued Circular Letter No. 020-2021 and Circular Letter No. 021-2021, aimed to regulate these transactions. In that sense, as of December 31, 2022, the Bank holds funds in the BCRP that guarantee these transfers performed through the Electronic Clearing House.

(**) As of December 31, 2021, correspond to deposits in the BCRP, which accrue interest at effective rates 0.26 percent; which guarantee loans from this entity for S/389,925,000. Said loans have maturities between March 2022, and accrued interest at effective rates between 2.74 and 3.29 percent.

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Notes to the financial statements (continued)

(e) Inter-bank funds -

As of December 31, 2022, inter-bank funds had maturity in the first days of January 2023, and an annual rate of 7.5 percent in local currency currency (maturity in the first days of January 2022, and annual rate of 2.5 percent in local currency as of December 31, 2021) and did not have specific guarantees.

As of December 31, 2022, the liabilities inter-bank funds had maturity in the first days of January 2023, and an annual rate of 7.5 percent in local currency.

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Notes to the financial statements (continued)

4. Available-for-sale and held-to-maturity investments

(a) The detail of available-for-sale investments are as follows:

| | 2022 | | | | 2021 | | | |
|--|---------------------------|------------------|-------------------|---------------------------------|---------------------------|------------------|-------------------|---------------------------------|
| | Unrealized gross amount | | | Estimated fair value S/(000) | Unrealized gross amount | | | Estimated fair value S/(000) |
| | Amortized cost S/(000) | Gains S/(000) | Losses S/(000) | | Amortized cost S/(000) | Gains S/(000) | Losses S/(000) | |
| Sovereign Bonds of the Republic of Peru (b) | 4,129,006 | - | (570,424) | 3,558,582 | 3,984,162 | 44 | (367,368) | 3,616,838 |
| Deposit Certificates with variable interest rate issued by the Central Reserve Bank of Peru - BCRP | 1,434,752 | 89 | (5) | 1,434,836 | 1,440,926 | 131 | (113) | 1,440,944 |
| Corporate and financial bonds (c) | 561,551 | 13 | (38,923) | 522,641 | 771,143 | 1,186 | (10,148) | 762,181 |
| Global Bonds of the Republic of Peru | 508,813 | - | (55,527) | 453,286 | 537,871 | - | (11,148) | 526,723 |
| Global Bonds of the Republic of Colombia | 82,836 | - | (2,026) | 80,810 | 88,180 | - | (1,205) | 86,975 |
| Negotiable Deposit Certificates issued by the Central Reserve Bank of Peru - BCRP | 44,234 | - | (366) | 43,868 | 179,815 | - | (608) | 179,207 |
| Treasury Bonds of the United States of America | 20,623 | - | (3,543) | 17,080 | - | - | - | - |
| Global Bonds of the United States of Mexican | 18,240 | - | (2,960) | 15,280 | - | - | - | - |
| Total | 6,800,055 | 102 | (673,774) | 6,126,383 | 7,002,097 | 1,361 | (390,590) | 6,612,868 |
| Listed shares | | | | | | | | |
| Intercorp Financial Services Inc. (IFS) (d) | 2,745 | - | (565) | 2,180 | 2,745 | - | (186) | 2,559 |
| Other | 85 | 43 | - | 128 | 89 | 48 | - | 137 |
| Non-listed shares | 1,101 | 789 | - | 1,890 | 1,151 | 824 | - | 1,975 |
| | <u>3,931</u> | <u>832</u> | <u>(565)</u> | <u>4,198</u> | <u>3,985</u> | <u>872</u> | <u>(186)</u> | <u>4,671</u> |
| | 6,803,986 | 934 | (674,339) | 6,130,581 | 7,006,082 | 2,233 | (390,776) | 6,617,539 |
| Add | | | | | | | | |
| Accrued interest | | | | 126,694 | | | | 115,233 |
| Total | | | | 6,257,275 | | | | 6,732,772 |

Translation of financial statements originally issued in Spanish - Note 25

Notes to the financial statements (continued)

(b) As of December 31, 2022 and 2021, the Bank hold loans with the BCRP for approximately S/835,736,000 and S/271,930,000, respectively, including interest, which are guaranteed by Sovereign Bonds of the Republic of Peru classified as restricted for approximately S/1,047,815,000 and S/335,529,000, respectively, Said loans have maturities between January 2023 and October 2024, and April 2023 and October 2024, respectively and accrue interest at effective rates between 1.78 and 7.83 percent y between 1.78 and 2.04 percent

(c) Below is the detail of corporate and financial bonds:

| | 2022 S/(000) | 2021 S/(000) |
|---|-----------------|-----------------|
| Peruvian issuers - | | |
| Banco de Crédito del Perú S.A. | 214,500 | 231,401 |
| Fondo MiVivienda S.A. | 82,197 | 85,820 |
| Corporación Financiera de Desarrollo S.A. | 77,253 | 89,080 |
| Cerro del Águila S.A. | 29,711 | 35,105 |
| Alicorp S.A.A. | 26,231 | 28,076 |
| Redesur y Tesur - Securitization asset | 10,661 | 14,189 |
| Luz del Sur S.A.A. | 8,464 | - |
| Gas Natural de Lima y Callao S.A. | 5,674 | 6,165 |
| Banco BBVA Perú S.A. | - | 155,256 |
| Others | 6,642 | 8,963 |
| Foreign issuers - | | |
| Bank of America Corp. | 18,969 | 20,938 |
| Credicorp Ltd. | 17,368 | 19,752 |
| Banco Santander Chile | 9,383 | 17,882 |
| Intercorp Financial Services Inc. | 6,700 | 7,943 |
| Bancolombia S.A. | 5,410 | 5,955 |
| BBVA Bancomer S.A. | 3,478 | 3,954 |
| Goldman Sachs Group Inc. | - | 19,987 |
| Citigroup Inc. | - | 11,715 |
| Total | <u>522,641</u> | <u>762,181</u> |

(d) As of December 31, 2022 and 2021, it includes 24,000 shares of IFS at their market values, which amounted to US\$23.50 and US\$26.38, respectively, per share and represents 0.02 percent of IFS capital stock at said date.

Translation of financial statements originally issued in Spanish - Note 25

Notes to the financial statements (continued)

- (e) As of December 31, 2022 and 2021, Management has estimated the fair value of the available-for-sale investments based on market quotations, and if not available, based on discounted cash flows using market rates that reflect their credit rating.
- (f) During 2022, as result of the impairment assessment of its available-for-sale investments, the Bank has recorded an approximate loss of S/2,818,000, which is presented in the caption "Impairment of available-for-sale investments" of the statement of income. For the years 2021 and 2020, as result of the assessment of impairment on available-for-sale investments, the Bank did not recognize any loss during.

Management has determined that the unrealized losses as of December 31, 2022 and 2021, are of temporary nature. The Bank has the intention and the ability to hold each of these investments for a period of time sufficient to allow a recovery in the fair value or until the maturity date.

Translation of financial statements originally issued in Spanish - Note 25

Notes to the financial statements (continued)

(g) As of December 31, 2022 and 2021, the maturities and the annual market rates of the available-for-sale investments in debt instruments are as follows:

| | Maturity | | Annual market rates | | | | | | | |
|---|-----------------|-----------------|---------------------|-------|-------|-------|-------|-------|-------|-------|
| | 2022 | 2021 | 2022 | | | | 2021 | | | |
| | | | S/ | | US\$ | | S/ | | US\$ | |
| | | | Min % | Max % | Min % | Max % | Min % | Max % | Min % | Max % |
| Sovereign Bonds of the Republic of Peru | Sep-23 / Feb-42 | Ago-24 / Ago-40 | 1.22 | 7.05 | - | - | 1.22 | 5.59 | - | - |
| Deposit Certificates with variable interest rate issued by the Central Reserve Bank of Peru - BCRP | Jan-23 / Mar-23 | Jan-22 / Mar-22 | 0.01 | 0.01 | - | - | 0.04 | 0.04 | - | - |
| Corporate and financial bonds | Jan-23 / Jun-47 | Jan-22 / Jun-47 | 4.54 | 7.28 | 0.38 | 6.29 | 4.54 | 7.28 | 0.19 | 4.97 |
| Global Bonds of the Republic of Peru | Jul-25 / Dic-32 | Jul-25 / Dic-32 | - | - | 1.13 | 3.49 | - | - | 1.13 | 1.86 |
| Global Bonds of the Republic of Colombia | Mar-23 / Feb 24 | Mar-23 / Feb-24 | - | - | 1.07 | 1.49 | - | - | 1.07 | 1.49 |
| Negotiable Deposit Certificates issued by the Central Reserve Bank of Peru - BCRP | Mar-23 | Jan-22 / Mar-23 | 2.28 | 2.28 | - | - | 0.31 | 2.28 | - | - |
| Treasury Bonds of the United States of America | Nov 31 | - | - | - | 1.58 | 1.58 | - | - | - | - |
| Global Bonds of the United States of Mexican | Feb 34 | - | - | - | 3.99 | 3.99 | - | - | - | - |

Translation of financial statements originally issued in Spanish - Note 25

Notes to the financial statements (continued)

- (h) As of December 31, 2022 and 2021, held-to-maturity investments are entirely comprised of Peruvian Sovereign Bonds amounting to S/3,287,647,000 and S/3,280,899,000, respectively, including accrued interests to S/71,640,000 and S/70,856,000, respectively.

As of December 31, 2022, these investments have maturities between September 2023 and August 2037, have accrued interest at effective annual rates between 4.29 percent and 6.64 percent, and their estimated fair value amounts to approximately S/2,949,507,000 (as of December 31, 2020, the maturity fluctuated between September 2023 and August 2037, which accrued interest at an annual effective rate between 4.29 and 6.58 percent, and their estimated fair value amounted to approximately S/3,181,392,000).

In previous years, the Bank reclassified Sovereign Bonds of the Republic of Peru classified as available-for-sale investments into held-to-maturity investments, which accumulated a net unrealized loss in equity for S/25,850,000. According to accounting requirements by the SBS, said net unrealized loss must be transferred to statement of income during the remaining term of the instruments. In that sense, the Bank recorded in the statement of income, as of December 31, 2022, 2021 and 2020, a net loss of approximately S/2,213,000, S/2,141,000 and S/2,012,000, respectively. The balance of the accumulated unrealized loss in equity, as of December 31, 2022 is S/4,333,000 (S/6,546,000 as of December 31, 2021).

As of December 31, 2022 and 2021, the Bank maintains loans with the BCRP for approximately S/1,781,176,000 and S/1,310,440,000, respectively, including interest, which are guaranteed with Sovereign Bonds of the Republic of Peru classified as restricted for approximately S/2,310,536,000 and S/1,643,293,000, respectively; said loans have maturities between January 2023 and October 2024, and between April 2023 and October 2024, respectively, and accrued interest at effective rates between 0.50 and 8.64 percent and 0.50 and 2.04 percent, respectively.

- (i) The table below presents the balance of available-for-sale and held-to-maturity investments as of December 31, 2022 and 2021, classified by contractual maturity (without considering accrued interest):

| | 2022 | | 2021 | |
|---------------------------------|--|--|--|--|
| | Available-for-sale investments S/(000) | Held-to- maturity investments S/(000) | Available-for- sale investments S/(000) | Held-to- maturity investments S/(000) |
| Up to 3 months | 1,610,691 | - | 1,597,490 | - |
| More than 3 months to 1 year | 104,151 | 483,614 | 174,277 | - |
| More than 1 to 5 years | 2,959,202 | 1,084,193 | 3,332,413 | 1,589,043 |
| More than 5 years | 1,452,339 | 1,648,200 | 1,508,688 | 1,621,000 |
| Shares (without maturity) | 4,198 | - | 4,671 | - |
| Total | 6,130,581 | 3,216,007 | 6,617,539 | 3,210,043 |

Translation of financial statements originally issued in Spanish - Note 25

Notes to the financial statements (continued)

5. Loan portfolio, net

(a) The table below presents the components of this caption:

| | 2022 S/(000) | 2021 S/(000) |
|--|-------------------|-------------------|
| Direct credits | | |
| Loans (*) | 21,622,904 | 22,086,789 |
| Mortgage loans for housing | 9,034,897 | 8,261,944 |
| Cash loans | 3,401,544 | 2,612,744 |
| Loans for foreign trade | 3,329,600 | 3,283,140 |
| Credit card | 3,015,688 | 2,295,625 |
| Financial leasing | 1,174,542 | 1,110,958 |
| Factoring operations | 1,011,496 | 867,765 |
| Discounted documents | 894,588 | 572,334 |
| Vehicle loans | 61,748 | 118,507 |
| Overdrafts and advances in current account | 28,404 | 38,869 |
| Refinanced credits | 322,941 | 236,520 |
| Past due loans and judicial collection | 1,371,251 | 1,556,648 |
| | <u>45,269,603</u> | <u>43,041,843</u> |
| Plus (minus) | | |
| Accrued income from current loans (g) | 394,022 | 303,545 |
| Accrued interest and interest charged in advance | (34,244) | (29,416) |
| Provision for doubtful collection credits (f) | (2,247,833) | (2,067,029) |
| Total direct credits | <u>43,381,548</u> | <u>41,248,943</u> |
| Indirect credits (d), Note 15(a) | <u>4,543,111</u> | <u>4,585,711</u> |

(*) As of December 31, 2022 and 2021, the Bank holds loans with the BCRP for approximately S/1,913,425,000 and S/4,401,121,000, respectively, including interests, which are guaranteed by commercial loans to small and micro-businesses for approximately S/1,909,375,000 and S/4,389,903,000, respectively. Said loans have maturities between May 2023 and November 2025, and accrue interest at effective rates between 0.50 percent.

As of December 31, 2022, 51 percent of the balance of the direct and indirect commercial loan portfolio was concentrated in approximately 93 clients (116 clients as of December 31, 2021). Loans were mainly granted to entities and individuals domiciled in Peru or to entities whose shareholders invest mainly in Peru.

In December 2022, the Bank acquired two commercial loans from Citibank N.A. for an amount of US\$35,000,000 (equivalent to approximately S/133,490,000), and in March 2022, the Bank acquired a commercial loan at its nominal value from Scotiabank Perú S.A.A. for an amount of S/30,699,000.

Translation of financial statements originally issued in Spanish - Note 25

Notes to the financial statements (continued)

In February 2021, the Bank acquired at nominal value a commercial loan from JP Morgan Chase, for an amount of US\$ 21,718,000 (equivalent to approximately S/79,034,000).

- (b) As mentioned in Note 2(a)(ii)(d), during the year 2022, 2021 and 2020, the SBS aimed to permit that the rescheduling of loans granted under the "Reactiva Peru" program. These reschedulings have not generated that the loans were presented neither as past-due nor as refinanced. Additionally, pursuant to what the MEF established, the SBS, through Official Multiple Letter, stipulated that the percentages of guarantee covered by the Peruvian government for these loans shall not vary; also, the coverage term is extended in function of the new schedules.

Additionally, as mentioned in Note 2(a)(ii)(a), during the year 2020, the SBS issued Resolutions aimed to: (i) reschedule loans, stipulating that these loans shall not be presented as past-due nor as refinanced, provided they present a maximum of 30 past due days as of February 29, 2020; and (ii) suspend, up until August 31, 2020, the counting of past due days of clients that had more than 15 past due days as of February 29, 2020, provided they have not rescheduled their loans.

The reschedulings granted during the year 2020, as mentioned in Note 2(a), as measures adopted to face the Covid-19 pandemic, generated that in accounting terms these loans shall not be impaired due to changes in the repayment schedules and/or grace periods. However, Management identified an increase in the credit risk of these clients, so during the year 2020 it decided to record voluntary provisions in order to face said credit risk increase, for an amount of S/637,491,000. On the other hand, should the counting of past due days of these clients had not been suspended, as indicated in the paragraph above, the provision required for these clients would have amounted to S/65,739,000. It is worth mentioning that this amount is also covered with voluntary provisions additional to the one previously mentioned to cover the increase in credit risk, which were recorded by the Bank for this purpose pursuant to what is permitted by the SBS; see paragraph (g).

As of December 31, 2022 and 2021, the balance of these voluntary provisions associated to the National State of Emergency amounts to S/240,587,000 and S/258,159,000, respectively.

- (c) The table below presents the loan portfolio by type of loan:

| | 2022 S/(000) | 2021 S/(000) |
|--------------------------------|-------------------|-------------------|
| Commercial loans | 19,651,251 | 20,429,908 |
| Consumer loans | 14,977,744 | 12,546,197 |
| Mortgage loans | 9,306,263 | 8,572,800 |
| Small and micro-business loans | 1,334,345 | 1,492,938 |
| Total | 45,269,603 | 43,041,843 |

Translation of financial statements originally issued in Spanish - Note 25

Notes to the financial statements (continued)

Additionally, following is the balance of rescheduled loans by their classification:

Loans rescheduled under the "Reactiva Peru" program

| | 2022 S/(000) | 2021 S/(000) |
|--------------------------------|------------------|------------------|
| Commercial loans | 1,048,991 | 1,392,761 |
| Small and micro-business loans | 424,779 | 581,419 |
| Total | <u>1,473,770</u> | <u>1,974,180</u> |

Rescheduled loans related to Covid-19:

| | 2022 S/(000) | 2021 S/(000) |
|--------------------------------|------------------|------------------|
| Commercial loans | 1,056,315 | 1,547,880 |
| Consumer loans | 1,770,929 | 2,190,170 |
| Mortgage loans | 2,024,697 | 2,315,602 |
| Small and micro-business loans | 197,037 | 212,949 |
| Total | <u>5,048,978</u> | <u>6,266,601</u> |

Translation of financial statements originally issued in Spanish - Note 25

Notes to the financial statements (continued)

(d) As of December 31, 2022 and 2021, the credit risk classification of the Bank's loan portfolio according to SBS standards, is as follows:

| Risk category(*) | 2022 | | | | | |
|------------------------|-------------------|--------------|------------------|--------------|-------------------|--------------|
| | Direct Loans | | Indirect Loans | | Total | |
| | S/(000) | % | S/(000) | % | S/(000) | % |
| Normal | 41,830,162 | 92.4 | 4,034,788 | 88.8 | 45,864,950 | 92.1 |
| With potential problem | 1,095,975 | 2.4 | 337,193 | 7.4 | 1,433,168 | 2.9 |
| Substandard | 649,765 | 1.5 | 151,338 | 3.3 | 801,103 | 1.6 |
| Doubtful | 727,960 | 1.6 | 4,189 | 0.1 | 732,149 | 1.4 |
| Loss | 965,741 | 2.1 | 15,603 | 0.4 | 981,344 | 2.0 |
| | <u>45,269,603</u> | <u>100.0</u> | <u>4,543,111</u> | <u>100.0</u> | <u>49,812,714</u> | <u>100.0</u> |

| Risk category(*) | 2021 | | | | | |
|------------------------|-------------------|--------------|------------------|--------------|-------------------|--------------|
| | Direct Loans | | Indirect Loans | | Total | |
| | S/(000) | % | S/(000) | % | S/(000) | % |
| Normal | 39,867,326 | 92.6 | 4,233,477 | 92.3 | 44,100,803 | 92.6 |
| With potential problem | 851,007 | 2.0 | 159,046 | 3.5 | 1,010,053 | 2.1 |
| Substandard | 520,824 | 1.2 | 166,964 | 3.6 | 687,788 | 1.4 |
| Doubtful | 736,799 | 1.7 | 4,327 | 0.1 | 741,126 | 1.6 |
| Loss | 1,065,887 | 2.5 | 21,897 | 0.5 | 1,087,784 | 2.3 |
| | <u>43,041,843</u> | <u>100.0</u> | <u>4,585,711</u> | <u>100.0</u> | <u>47,627,554</u> | <u>100.0</u> |

(*) For purposes of recording of provisions, during the year 2021, as mentioned in Note 2(a)(ii)(b) and according to SBS Resolution No.3922-2021, the rescheduled loans related to Covid-19 which has a rating of "Normal" will be considered a classification of "CPP", by those who has a classification of "Normal" and "CPP" as assigned by the Bank, and which have not made any complete installment payment including capital in the last 6 months, shall be classified as "Substandard", while the rescheduled loans that have not made any complete installment payment including capital in the last 12 months, shall be classified as "Doubtful". As of December, 31,2022 and 2021, the balance of these provisions for rescheduled loans amounts to approximately S/11,491,000 and S/66,382,000, respectively.

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Notes to the financial statements (continued)

- (e) As of December 31, 2022 and 2021, financial entities in Peru must constitute provisions for loan losses considering the risk classification mentioned above and using the percentages indicated by SBS Resolution No. 11356-2008, No. 3718-2021 and No.3922-2021, as detailed below:

- (i) Loans classified into the "Normal" category

| Loan types | Fixed-rate % | Pro-cyclical component 2021 and 2022 (*)(**) % |
|---|-----------------|--|
| Commercial loans - | | |
| Corporate | 0.70 | 0.10 |
| Large-business | 0.70 | 0.40 |
| Medium-business | 1.00 | 0.60 |
| Small and micro-business loans - | | |
| Small-business | 1.00 | 1.00 |
| Micro-business | 1.00 | 1.00 |
| Mortgage - | 0.70 | 0.40 |
| Consumer loans | | |
| Revolving consumer loans | 1.00 | 1.50 |
| Non-revolving consumer loans | 1.00 | 1.00 |

(*) In case the loan has highly liquid preferred guarantees (LWHLPG), the pro-cyclical component shall be 0 percent.

(**) According to SBS Resolution No. 3718-2021, issued on December 7, 2021, the minimum tables of the pro-cyclical component for each loan type are modified; additionally, said Resolution indicates that the pro-cyclical rule may be activated starting on December 31, 2023.

Through Circular Letter No. B-2224-2014, dated November 27, 2014, the SBS informed to the financial entities of the deactivation of the pro-cyclical component rates for the provision for direct and indirect loans of debtors classified as "Normal". As of December 31, 2022 and 2021, the pro-cyclical component of the provision is deactivated; however, at said dates, the Bank holds pro-cyclical provisions amounting to S/113,837,000 and S/114,994,000, respectively, which have not been assigned to a specific provision.

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Notes to the financial statements (continued)

- (ii) For debtors classified as “with potential problems”, “Substandard”, “Doubtful” or “Loss” depending on whether the loans are: Loans Without Guarantees (LWG), Loans With Preferred Guarantees (LWPG) Loans With Readily Preferred Guarantees (LWRPG) or Loans with Highly Liquid Preferred Guarantees (LWHLPG), as of December 31, 2022 and 2021, the following percentages are applied:

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

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

As of December 31, 2022 and 2021, the Bank holds loans of the “Reactiva Peru” program for an amount of S/2,357,201,000 and S/4,976,073,000, respectively, including accrued interest amounting to approximately S/57,254,000 and S/79,936,000, respectively, which are partially guaranteed by the Peruvian Government for an amount of S/2,040,379,000 and S/4,421,999,000, respectively. According to the Official Multiple Letter No.1314-2020 issued by the SBS, the provision for credit risk for these loans for the part guaranteed by the Peruvian Government is 0 percent; as of December 31, 2022 and 2021, 93.9 and 95.7 percent of these loans respectively, present a risk category classified as “Normal”.

During the year 2022 and 2021, the Bank rescheduled loans of the “Reactiva Peru” program for an amount of approximately S/133,046,000 and S/2,012,855,000, respectively. As of December 31, 2022 and 2021, the balance of the rescheduled loans of the “Reactiva Peru” program amount to approximately S/1,473,770,000 and S/1,974,180,000, respectively. The loans covered by the guarantee of the Peruvian government amounted to S/1,342,263,000 and S/1,803,256,000.

Translation of financial statements originally issued in Spanish - Note 25

Notes to the financial statements (continued)

(f) The changes in the provision for loan losses (direct and indirect) were as follows:

| | 2022 | | | | |
|--|-----------------------|---------------------|---------------------|--|-------------------------|
| | Commercial S/(000) | Mortgage S/(000) | Consumer S/(000) | Small and micro-business S/(000) | Total S/(000) (*) |
| Balance at the beginning of the year | 668,362 | 348,116 | 1,044,824 | 102,993 | 2,164,295 |
| Provision recognized as year expense, net of recovery of written-off balances | 229,274 | 17,309 | 924,396 | 63,007 | 1,233,986 |
| Provision recoveries | (161,019) | (24,763) | (38,908) | (9,503) | (234,193) |
| Recovery of write-offs | 5,942 | - | 140,438 | 8,690 | 155,070 |
| Written-off portfolio and sales | (68,360) | (2,267) | (825,578) | (64,710) | (960,915) |
| Exchange difference, net | (12,712) | (3,517) | (1,290) | (98) | (17,617) |
| Balance at the end of the year | <u>661,487</u> | <u>334,878</u> | <u>1,243,882</u> | <u>100,379</u> | <u>2,340,626</u> |
| | 2021 | | | | |
| | Commercial S/(000) | Mortgage S/(000) | Consumer S/(000) | Small and micro-business S/(000) | Total S/(000) (*) |
| Balance at the beginning of the year | 585,932 | 355,270 | 1,870,012 | 149,454 | 2,960,668 |
| Provision recognized as year expense, net of recovery of written-off balances | 215,180 | 13,683 | 346,181 | 36,036 | 611,080 |
| Provision recoveries | (129,156) | (26,537) | (15,577) | (7,698) | (178,968) |
| Recovery of write-offs | 1,404 | - | 175,287 | 5,278 | 181,969 |
| Written-off portfolio and sales | (27,393) | (2,419) | (1,334,387) | (80,337) | (1,444,536) |
| Exchange difference, net | 22,395 | 8,119 | 3,308 | 260 | 34,082 |
| Balance at the end of the year | <u>668,362</u> | <u>348,116</u> | <u>1,044,824</u> | <u>102,993</u> | <u>2,164,295</u> |

Translation of financial statements originally issued in Spanish - Note 25

Notes to the financial statements (continued)

| | 2020 | | | | |
|--|-----------------------|---------------------|---------------------|--|-------------------------|
| | Commercial S/(000) | Mortgage S/(000) | Consumer S/(000) | Small and micro-business S/(000) | Total S/(000) (*) |
| Balance at the beginning of the year | 485,150 | 300,230 | 908,812 | 63,299 | 1,757,491 |
| Provision recognized as year expense, net of recovery of | | | | | |
| written-off balances | 177,181 | 89,200 | 1,757,475 | 119,734 | 2,143,590 |
| Provision recoveries | (67,590) | (36,713) | (31,520) | (12,035) | (147,858) |
| Recovery of write-offs | 1,756 | - | 100,762 | 3,879 | 106,397 |
| Written-off portfolio and sales | (27,817) | (4,350) | (868,118) | (25,672) | (925,957) |
| Exchange difference, net | 17,252 | 6,903 | 2,601 | 249 | 27,005 |
| Balance at the end of the year | <u>585,932</u> | <u>355,270</u> | <u>1,870,012</u> | <u>149,454</u> | <u>2,960,668</u> |

(*) The balance of the provision for loan losses includes the provision for indirect loans and for credit risk associated with over-indebtedness for approximately S/92,793,000 and S/97,266,000 as of December 31, 2022, and 2021 respectively, which is presented in the caption "Provisions and other liabilities" of the statement of financial position; see Note 8(a).

Due to the Covid-19 pandemic described in Note 1(c) and considering the new regulations mentioned in Note 2(a)(ii)(a), during 2020, Bank's Management decided to record the voluntary provisions permitted by the SBS for S/703,230,000 to cover the credit risk of some clients of the Bank, mainly those of rescheduled loans.

As of December 31, 2022 and 2021, the total balance of voluntary provisions amounts to S/413,520,000 and S/415,495,000, respectively ; that cover the possible increase of the clients' credit risk.

In Management's opinion, the provision for loan losses recorded as of December 31, 2022 and 2021, has been recorded in accordance with the SBS regulations in force as of said dates.

Translation of financial statements originally issued in Spanish - Note 25

Notes to the financial statements (continued)

- (g) During the years 2022 and 2021, the interests generated by the loan portfolio are freely agreed considering the interest rates in force in the market. In March 2021; the Congress of the Republic published Act No. 31143, which establishes that the BCRP is the entity able of setting out maximum and minimum interest rates that the Peruvian financial system can charge. In April 2021, the BCRP established the methodology for the calculation of the maximum interest rate for consumer, small-business and micro-business loans, which shall be updated semi-annually in May and November. As of December 31, 2022 the maximum interest rate is 87.91 percent annual in domestic currency and 68.27 percent annual in foreign currency (As of December 31, 2021 the maximum interest rate is 83.64 percent annual in domestic currency and 66.08 percent annual in foreign currency).
- (h) Interests, commissions and expenses over loans or installments that are refinanced, past due, under legal collection, or classified in the "Doubtful" or "Loss" categories, are recorded as "Suspended interest income" and are recognized in the statement of income when effectively collected. The accumulate amounts not recognized as income for this concept amounted S/1,733,028,000 and S/1,168,531,000 as of December 31, 2022 and 2021, respectively.
- (i) The table below presents the direct loan portfolio as of December 31, 2022 and 2021, classified by maturity dates:

| | 2022 S/(000) | 2021 S/(000) |
|---|-------------------|-------------------|
| Outstanding - | | |
| Up to 1 month | 4,818,388 | 3,222,543 |
| More than 1 to 3 months | 5,379,811 | 5,599,641 |
| More than 3 months to 1 year | 9,015,992 | 9,113,323 |
| More than 1 to 5 years | 18,815,738 | 18,057,697 |
| More than 5 years | <u>5,868,423</u> | <u>5,491,991</u> |
| | <u>43,898,352</u> | <u>41,485,195</u> |
| Past due and in legal collection - | | |
| Up to 4 months | 423,906 | 512,670 |
| More than 4 months | 401,382 | 511,278 |
| Loans in legal collection | <u>545,963</u> | <u>532,700</u> |
| | <u>45,269,603</u> | <u>43,041,843</u> |

Translation of financial statements originally issued in Spanish - Note 25

Notes to the financial statements (continued)

6. Investments in Subsidiaries and associates

(a) This caption is made up as follows:

| | Ownership percentage | | Book value | |
|---|----------------------|-----------|-----------------|-----------------|
| | 2022 % | 2021 % | 2022 S/(000) | 2021 S/(000) |
| Investments in subsidiaries | | | | |
| Internacional de Títulos Sociedad Titulizadora S.A. - Intertítulos S.T. | 100.00 | 100.00 | 14,577 | 13,744 |
| Compañía de Servicios Conexos Expressnet S.A.C. | 100.00 | 100.00 | 13,906 | 6,365 |
| Sub Total | | | 28,483 | 20,109 |
| Investments in associates | | | | |
| Procesos MC Perú S.A.(c) | 50.00 | 50.00 | 106,914 | 83,850 |
| La Fiduciaria S.A. | 35.00 | 35.00 | 7,353 | 6,288 |
| Compañía Peruana de Medios de Pago S.A.C. - Niubiz (formerly Visanet) | 18.24 | 17.52 | 6,236 | 5,722 |
| Others | - | - | 4,523 | 4,033 |
| Sub Total | | | 125,026 | 99,893 |
| Total | | | 153,509 | 120,002 |

(b) As of December 31, 2022, 2021 and 2020, as a result of applying the equity accounting method on its investments in subsidiaries and associates, the Bank recorded gains for approximately S/48,210,000, S/39,428,000 and S/14,996,000, respectively, which are included in the caption "Gain on financial transactions" in the statement of income; see Note 18. In the years 2022, 2021 and 2020, the Bank received dividends from its subsidiaries and associates for approximately S/15,031,000, S/11,687,000 and S/19,403,000, respectively.

Translation of financial statements originally issued in Spanish - Note 25

Notes to the financial statements (continued)

(c) In April 2022, Intercorp Financial Services Inc. (the Bank's parent company) acquired the remaining 50 percent of the capital stock of Procesos MC Perú S.A., thus completing its participation in the 100 percent of the capital stock of Procesos MC Perú S.A.

(d) A summary of the main data of the financial statements of the Bank's mainly subsidiaries and associates as of December 31, 2022 and 2021, and for the years then ended as of December 31, 2022, 2021 and 2020, is presented below:

| Activity | Assets | | Liabilities | | Net shareholders' equity | | Net income | | | |
|--|------------------------|-----------------|-----------------|-----------------|--------------------------|-----------------|-----------------|-----------------|-----------------|---------|
| | 2022 S/(000) | 2021 S/(000) | 2022 S/(000) | 2021 S/(000) | 2022 S/(000) | 2021 S/(000) | 2022 S/(000) | 2021 S/(000) | 2020 S/(000) | |
| Subsidiaries - | | | | | | | | | | |
| Internacional de Títulos Sociedad Titulizadora S.A. - Intertítulos S.T. | Fiduciary services | 15,186 | 14,132 | 561 | 345 | 14,625 | 13,787 | 838 | 759 | 768 |
| Compañía de Servicios Conexos, Expressnet S.A.C. | Credit card management | 75,049 | 40,092 | 60,177 | 33,545 | 14,872 | 6,547 | 13,816 | 5,491 | 4,505 |
| Associates - | | | | | | | | | | |
| Procesos MC Perú S.A. | Credit card management | 836,215 | 544,399 | 617,508 | 373,431 | 218,707 | 170,968 | 48,005 | 43,551 | 13,556 |
| Compañía Peruana de Medios de Pago S.A.C. - Niubiz (formerly Visanet) | Credit card management | 443,107 | 280,864 | 421,175 | 237,212 | 21,932 | 43,652 | (1,205) | 33,508 | (9,388) |
| La Fiduciaria S.A. | Fiduciary services | 26,720 | 24,956 | 5,834 | 5,636 | 20,886 | 19,320 | 16,652 | 14,884 | 14,121 |

Translation of financial statements originally issued in Spanish - Note 25

Notes to the financial statements (continued)

7. Property, furniture and equipment, net

(a) The movement of property, furniture and equipment and accumulated depreciation for the years ended December 31, 2022, 2021 and 2020, is as follows:

| Description | Land S/(000) | Buildings and facilities S/(000) | Furniture and equipment S/(000) | Vehicles S/(000) | Leasehold improvements S/(000) | In-transit equipment and work-in progress S/(000) | Total 2022 S/(000) | Total 2021 S/(000) | Total 2020 S/(000) |
|----------------------------------|-----------------|--|---------------------------------------|---------------------|--------------------------------------|--|--------------------------|--------------------------|--------------------------|
| Cost | | | | | | | | | |
| Balance as of January 1 | 77,807 | 546,800 | 621,676 | 442 | 129,813 | 57,136 | 1,433,674 | 1,407,096 | 1,391,755 |
| Additions | - | 6,922 | 23,740 | 124 | 4,685 | 20,987 | 56,458 | 53,004 | 49,017 |
| Transfers | - | 31,094 | 8,272 | - | 5,432 | (44,798) | - | - | - |
| Sales (e) | (21,714) | (5,264) | (3,563) | - | - | - | (30,541) | (12,036) | (16,734) |
| Disposals and write-offs | - | (42) | (207) | - | (12,531) | (412) | (13,192) | (14,390) | (16,942) |
| Balance as of December 31 | 56,093 | 579,510 | 649,918 | 566 | 127,399 | 32,913 | 1,446,399 | 1,433,674 | 1,407,096 |
| Accumulated depreciation | | | | | | | | | |
| Balance as of January 1 | - | 423,956 | 523,501 | 442 | 117,145 | - | 1,065,044 | 1,025,954 | 983,537 |
| Depreciation for the year | - | 18,855 | 37,988 | 124 | 9,637 | - | 66,604 | 66,664 | 73,543 |
| Sales, Note 20 | - | (4,867) | (3,416) | - | - | - | (8,283) | (11,856) | (15,882) |
| Disposals and write-offs | - | (42) | (190) | - | (12,531) | - | (12,763) | (14,259) | (15,244) |
| Others | - | - | - | - | - | - | - | (1,459) | - |
| Balance as of December 31 | - | 437,902 | 557,883 | 566 | 114,251 | - | 1,110,602 | 1,065,044 | 1,025,954 |
| Net book value | 56,093 | 141,608 | 92,035 | - | 13,148 | 32,913 | 335,797 | 368,630 | 381,142 |

(b) Financial entities in Peru are prohibited from pledging their fixed assets.

(c) Management periodically reviews the depreciation method applied, in order to assure that it is consistent with the economic benefits of fixed assets. In Management's opinion, there is no evidence of impairment of fixed assets held by the Bank as of December 31, 2022 and 2021.

(d) With SBS authorization, the Bank recorded voluntary revaluations between the years 2000 and 2003 over certain fixed assets at their fair values, which were determined by an independent appraiser and amounted to approximately S/61,140,000; which generated a deferred Income Tax liability; see Note 12(a). As of December 31, 2022 and 2021, the value of the revaluations performed, net of their accumulated depreciation, amounts to approximately S/26,934,000 and S/28,021,000, respectively.

(e) Corresponds mainly to the sale of a land lot located in the district of San Borja - Lima, to a non-related entity for an amount of US\$14,100,000 (equivalent to approximately a S/54,313,000), with a net disposal cost of S/21,306,000, recording a gain amounting to S/ 33,006,000, which was registered as "Gain from Property, furniture and equipment" in the caption "Other Income (expenses), net" of the statement of income; see Note 20.

Translation of financial statements originally issued in Spanish - Note 25

Notes to the financial statements (continued)

8. Other assets, net and provisions and other liabilities

(a) This caption is made up as follows:

| | 2022 S/(000) | 2021 S/(000) |
|---|------------------|------------------|
| Other assets, net | | |
| Financial Instruments | | |
| Accounts receivable from derivative financial instruments (b) | 441,735 | 661,949 |
| Accounts receivable, net | 154,862 | 145,312 |
| Operations in process (c) | 111,315 | 84,231 |
| Accounts receivable from sale of investments (d) | 18,156 | 3,167 |
| Commissions receivable for credit cards | 7,321 | 2,559 |
| | <u>733,389</u> | <u>897,218</u> |
| Non-financial instruments | | |
| Intangible assets, net (e) | 507,553 | 464,939 |
| Deferred charges | 77,945 | 67,626 |
| Assets seized through legal actions | 15,278 | 15,917 |
| Payments in advance of Income Tax | 13,738 | 240,427 |
| Rentals paid in advance (f) | 3,399 | 3,399 |
| Others | 7,397 | 11,610 |
| | <u>625,310</u> | <u>803,918</u> |
| Total | <u>1,358,699</u> | <u>1,701,136</u> |
| Provisions and other liabilities | | |
| Financial instruments | | |
| Other accounts payable | 464,183 | 362,648 |
| Accounts payable from derivative financial instruments (b) | 297,004 | 413,126 |
| Operations in process (c) | 184,086 | 162,701 |
| Workers' profit sharing and salaries payable | 112,493 | 85,523 |
| Provisions for contingent loans and for credit risk associated with over-indebtedness, Note 5(f) | 92,793 | 97,266 |
| Accounts payable for purchase of investments (d) | 50,610 | 11,001 |
| Dividends payable | 193 | 173 |
| | <u>1,201,362</u> | <u>1,132,438</u> |
| Non-financial instruments | | |
| Taxes payable | 83,737 | 26,172 |
| Provisions for other contingencies (g) | 67,282 | 55,527 |
| Deferred income | 32,743 | 29,470 |
| Premiums to the deposit insurance fund | 20,217 | 19,272 |
| Others | 1,408 | 1,440 |
| | <u>205,387</u> | <u>131,881</u> |
| Total | <u>1,406,749</u> | <u>1,264,319</u> |

Translation of financial statements originally issued in Spanish - Note 25

Notes to the financial statements (continued)

- (b) The risk of derivative contracts arises from the possibility that the counterparty does not comply with the agreed terms and conditions, and that the reference rates at which the transactions were agreed may change.

The following table presents, as of December 31, 2022 and 2021, the fair value of derivative financial instruments recorded as assets or liabilities, including their notional amounts and maturities. The notional amount is the nominal amount of the derivative's underlying asset and is the base over which changes in the value of derivatives are measured.

| | Note | 2022 | | | Maturity | 2021 | | | Maturity | Hedged instrument |
|---|-------|-------------------|------------------------|-------------------------------|--|-------------------|------------------------|-------------------------------|--|-------------------|
| | | Assets S/(000) | Liabilities S/(000) | Notional amount S/(000) | | Assets S/(000) | Liabilities S/(000) | Notional amount S/(000) | | |
| Derivatives for negotiation - | | | | | | | | | | |
| Forward exchange contracts | | 58,254 | 27,556 | 6,333,782 | Between January 2023 and December 2023 | 53,506 | 128,250 | 8,631,830 | Between January 2022 and December 2022 | - |
| Currency Swaps | | 77,907 | 141,823 | 2,672,533 | Between January 2023 and March 2029 | 222,938 | 162,917 | 4,162,325 | Between January 2022 and April 2028 | - |
| Interest rate swaps | | 67,981 | 38,551 | 2,424,566 | Between January 2023 and June 2036 | 41,884 | 30,325 | 2,969,027 | Between January 2022 and June 2036 | - |
| Cross currency swaps | | - | 75,455 | 224,485 | January 2023 | - | 91,628 | 234,667 | January 2023 | - |
| Options | | 99 | 463 | 80,151 | Between January 2023 and December 2023 | - | 6 | 1,816 | Between January 2022 and June 2022 | - |
| | | <u>204,241</u> | <u>283,848</u> | <u>11,735,517</u> | | <u>318,328</u> | <u>413,126</u> | <u>15,999,665</u> | | |
| Derivatives designated as hedges - | | | | | | | | | | |
| Cash flow: | | | | | | | | | | |
| Cross currency swaps (CCS) | 11(f) | 237,494 | - | 1,681,974 | January 2023 | 343,621 | - | 1,758,267 | January 2023 | Senior Bonds |
| Cross currency swaps (CCS) | 10(d) | - | 3,916 | 114,420 | August 2024 | - | - | - | | Adeudado |
| Cross currency swaps (CCS) | 10(e) | - | 6,295 | 114,420 | October 2024 | - | - | - | | Adeudado |
| Cross currency swaps (CCS) | 10(f) | - | 931 | 57,210 | January 2025 | - | - | - | | Adeudado |
| Cross currency swaps (CCS) | 10h) | - | 2,014 | 38,140 | November 2024 | - | - | - | | Adeudado |
| | | <u>237,494</u> | <u>13,156</u> | <u>2,006,164</u> | | <u>343,621</u> | <u>-</u> | <u>1,758,267</u> | | |
| | | <u>441,735</u> | <u>297,004</u> | <u>13,741,681</u> | | <u>661,949</u> | <u>413,126</u> | <u>17,757,932</u> | | |

As of December 31, 2022 and 2021, the Banks holds forwards exchange contracts and currency and interest rate swaps, which according to the agreed upon terms, required the constitution of collateral deposits for approximately US\$9,120,000 (equivalent to S/34,784,000) and US\$30,502,000 (equivalent to S/121,613,000), respectively; see Note 3(d). On the other hand, at those dates, certain customers have constituted guarantee deposits for the derivatives agreed with the Bank for approximately US\$61,650,000 (equivalent to S/235,133,000) and US\$43,840,000 (equivalent to S/174,790,000), respectively; see Note 9(a).

- (c) Transactions in process are related to deposits received during the last days of the month, loans disbursed and collected, funds transferred and other similar transactions; which are transferred to the corresponding accounts in the following month. These transactions do not affect the Bank's results as of December 31, 2022 and 2021.
- (d) As of December 31, 2022 and 2021, correspond to accounts receivable and payable from sales and acquisitions of investments during the last days of the month, which have been settled during the first days of the following month. The balance mainly corresponds to the acquisition and sale of Sovereign Bonds of the Republic of Peru and Global Bonds issued by the Treasury of the United States of America.

Translation of financial statements originally issued in Spanish - Note 25

Notes to the financial statements (continued)

- (e) The movement in intangible assets and accumulated amortization for the years ended December 31, 2022, 2021 and 2020 is as follows:

| Description | Software S/(000) | In-transit software S/(000) | Total 2022 S/(000) | Total 2021 S/(000) | Total 2020 S/(000) |
|----------------------------------|---------------------|--------------------------------|--------------------------|--------------------------|--------------------------|
| Cost | | | | | |
| Balance as of January 1 | 1,057,867 | 145,792 | 1,203,659 | 1,050,572 | 908,448 |
| Additions | 97,403 | 104,863 | 202,266 | 163,650 | 143,873 |
| Transfers | 108,040 | (108,040) | - | - | - |
| Retirements, Note 20 | - | (6,266) | (6,266) | (10,563) | (1,749) |
| Balance as of December 31 | <u>1,263,310</u> | <u>136,349</u> | <u>1,399,659</u> | <u>1,203,659</u> | <u>1,050,572</u> |
| Accumulated amortization | | | | | |
| Balance as of January 1 | 738,720 | - | 738,720 | 606,009 | 498,810 |
| Amortization for the year | 153,386 | - | 153,386 | 132,711 | 107,448 |
| Retirements | - | - | - | - | (249) |
| Balance as of December 31 | <u>892,106</u> | <u>-</u> | <u>892,106</u> | <u>738,720</u> | <u>606,009</u> |
| Net book value | <u>371,204</u> | <u>136,349</u> | <u>507,553</u> | <u>464,939</u> | <u>444,563</u> |

Management assesses periodically the amortization method applied with the purpose of ensuring that it is consistent with the economic benefit of the intangibles. In Management's opinion, there is no evidence of impairment of the intangibles maintained by the Bank as of December 31, 2022 and 2021.

- (f) During the year 2020, the Bank signed a framework contract to cede the use of commercial spaces for the installation of Money Market stores and/or ATMs in the facilities of Supermercados Peruanos S.A. for 5 years. As of December 31, 2022 and 2021, the balance corresponds to a cash guarantee granted to Supermercados Peruanos S.A. for an amount of S/3,399,000.
- (g) As of December 31, 2021 y de 2020, include provisions for sundry legal contingencies originated from ongoing lawsuits against the Bank related to the nature of its operations. The Bank establishes provisions for such lawsuits when, in the opinion of Management and its internal legal advisers, the liability is likely to be assumed by the Bank and the amount can be reliably estimated.

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Notes to the financial statements (continued)

9. Deposits and obligations, and deposits from financial entities

(a) The following table presents the detail of "Deposits and obligations":

| | 2022 S/(000) | 2021 S/(000) |
|--------------------------------------|-------------------|-------------------|
| Savings deposits | 20,862,871 | 22,501,547 |
| Current accounts | 10,096,915 | 10,805,736 |
| Time deposits (f) | 9,757,496 | 8,603,293 |
| Public restricted obligations (*) | 1,309,195 | 1,063,156 |
| Compensation for time of service (d) | 921,288 | 962,596 |
| Other obligations | 6,248 | 6,129 |
| Total | <u>42,954,013</u> | <u>43,942,457</u> |

(*) As of December 31, 2022 includes mainly S/ S/445,118,000 and S/235,133,000 of guarantee deposits delivered to clients in support of direct and indirect loans granted by the Bank and guarantee deposits delivered to client for derivative contracts, respectively (includes S/475,141,000 and S/174,790,000, respectively, as of December 31, 2021), and other restricted deposits.

(b) The Bank has established a policy to pay interests to time demands deposits and saving deposits according to a scale of interest rates, based on the average balances maintained in said accounts. Additionally, as part of said policy, it was established that the accounts which have balances less than an amount determined do not generate any interest.

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

(c) As of December 31, 2022 and 2021, approximately S/18,368,816,000 and S/17,180,174,000 of deposits and obligations are covered by the Deposit Insurance Fund, respectively. Likewise, at those dates the coverage of the Deposit Insurance Fund by each client is up to S/125,603 and S/115,637, respectively.

(d) On May 25, 2022 and On April 8, 2021 through Act No.31480 and Act N°31171, "Act Authorizing the Withdrawal of Severance Indemnities to Cover Economic Needs Caused by the Covid-19 Pandemic", the Peruvian government authorized workers to freely dispose, as a one-off and until December 31, 2021, the 100 percent of their severance indemnity deposits ("CTS" by its Spanish acronym) they held in the financial entities and that they had accumulated until the date of the withdrawal, including the deposits that were made in May and November 2022 and 2021, and the deposits that will be made in May and November 2023, in order to cover their economic needs caused by the Covid-19 pandemic. During the year 2022 y 2021, as part of this benefit, 260,799 and 242,000 customers of the Bank have withdrawn the approximate amount of S/767,470,000 y S/1,630,000,000, respectively.

Translation of financial statements originally issued in Spanish - Note 25

Notes to the financial statements (continued)

(e) The following table presents the detail of "Deposits from financial entities"

| | 2022 S/(000) | 2021 S/(000) |
|-------------------|-------------------------|-------------------------|
| Current accounts | 1,213,764 | 962,831 |
| Time deposits (f) | 443,740 | 61,038 |
| Savings deposits | 19,252 | 23,218 |
| Total | <u>1,676,756</u> | <u>1,047,087</u> |

(f) The table below presents the balance of time deposits from public and financial entities classified by maturity as of December 31, 2022 and 2021:

| | 2022 S/(000) | 2021 S/(000) |
|-------------------------------|--------------------------|-------------------------|
| Due within 1 month | 2,313,986 | 4,148,374 |
| More than 1 month to 3 months | 1,579,240 | 1,796,120 |
| More than 3 months to 1 year | 5,065,385 | 2,179,438 |
| More than 1 year to 5 years | 959,168 | 279,118 |
| More than 5 years | 283,457 | 261,281 |
| Total | <u>10,201,236</u> | <u>8,664,331</u> |

10. Debts and financial obligations

(a) This caption is made up as follows:

| | 2022 S/(000) | 2021 S/(000) |
|---------------------------------------|-------------------------|-------------------------|
| By type - | | |
| Promotional credit lines (b) | 1,863,482 | 1,595,405 |
| Obligations with foreign entities (c) | 286,050 | 139,545 |
| Obligations with local entities (h) | 38,140 | - |
| | <u>2,187,672</u> | <u>1,734,950</u> |
| Interest and commissions payable | 8,585 | 4,302 |
| | <u>2,196,257</u> | <u>1,739,252</u> |
| By term - | | |
| Short term | 139,837 | 266,971 |
| Long term (i) | 2,056,420 | 1,472,281 |
| Total | <u>2,196,257</u> | <u>1,739,252</u> |

Translation of financial statements originally issued in Spanish - Note 25

Notes to the financial statements (continued)

- (b) The promotional credit lines represent loans in soles and US dollars received from Corporación Financiera de Desarrollo (COFIDE) and Fondo MiVivienda (FMV) with the purpose of promoting development in Peru. These liabilities are guaranteed with loan portfolio up to the amount of the used line and includes specific agreements on how it should be used the funds, the financial conditions that must be maintained and other administrative matter. In the opinion of Management, the Bank is complying with these requirements.

As of December 31, 2022, COFIDE loans accrued interest at annual effective interest rates in local currency between 7.55 and 7.67 percent and maturities on January 2027 , and in foreign currency, between 5.81 and 8.05 percent and maturities between December 2029 and October 2034 (in local currency between 7.55 and 7.67 percent annual effective interest rates and maturities between January 2027, and in foreign currency between 5.86 and 8.5 percent and maturities between October 2029 and October 2034, as of December 31, 2021).

As of December 31, 2022, the FMV loans accrued annual effective interest rates in local currency between 5.00 and 8.30 percent and maturities between January 2023 and December 2047, and in foreign currency, of 7.75 percent and maturities between January 2023 and November 2028 (in local currency 5.00 and 8.30 percent and maturities between January 2022 and December 2046, and in foreign currency, of 7.75 percent and maturities between February 2022 and November 2028, as of December 31, 2021).

Translation of financial statements originally issued in Spanish - Note 25

Notes to the financial statements (continued)

(c) As of December 31, 2022 and 2021, includes the following financing:

| Entity | Country | Currency | Final maturity | 2022 S/(000) | 2021 S/(000) |
|-----------------------------------|---------------|----------|----------------|-----------------|-----------------|
| Caixabank S.A. Barcelona (d) | Spain | US\$ | 2024 | 114,420 | - |
| JP Morgan Chase Bank NY (e) | United States | US\$ | 2024 | 114,420 | - |
| Banco del Estado de Chile (f) | Chile | US\$ | 2025 | 57,210 | - |
| Corporación Andina de Fomento (g) | Multilateral | US\$ | 2022 | - | 139,545 |
| | | | | <u>286,050</u> | <u>139,545</u> |

As of December 31, 2022, transactions with foreign entities bear an effective average interest rate of between 0.87 and 6.92 percent (effective rates between 0.43 and 1.62 percent during 2021).

- (d) Corresponds to a loan received in July 2022 for US\$30,000,000 which bears at 6-month Term SOFR rate plus 1.35 percent. In July 2022, the Bank entered into a currency swap that was designated as cash flow hedge; see Note 8(b). Through this operation, the loan was economically converted into a fixed rate of 7.74 percent.
- (e) Corresponds to a loan received in September 2022 for US\$30,000,000 which bears at 6-month Term SOFR rate plus 1.75 percent. In September 2022, the Bank entered into a currency swap that was designated as cash flow hedge; see Note 8(b). Through this operation, the loan was economically converted into a fixed rate of 8.4 percent.
- (f) Corresponds to a loan received in December 2022 for US\$15,000,000 which bears at 6-month Term SOFR rate plus 1.99 percent. In December 2022 entered into a currency swap that was designated as cash flow hedge; see Note 8(b). Through this operation, the loan was economically converted into a fixed rate of 8.59 percent.
- (g) As of December 31, 2021, corresponds to a loan received in March 2020 for US\$35,000,000, which matured in April 2022 and accrued interest at a 6-month LIBOR rate plus 0.57 percent.
- (h) Corresponds to a loan received from Bank of China Perú in October 2022 for US\$10,000,000, which accrues interest at a 6-month Term SOFR rate plus 1.50 percent and matures in November 2024. In October 2022, the Bank entered into a currency swap, which was designated as cash flow hedge; see Note 8(b). Through this operation, the loan was economically converted to a fixed rate of 8.18 percent.

(i) As of December 31, 2022 and 2021, the payment schedule of these long-term obligations is the following:

| Year | 2022 S/(000) | 2021 S/(000) |
|--------------|------------------|------------------|
| 2023 | - | 127,738 |
| 2024 | 409,698 | 126,805 |
| 2025 | 199,681 | 127,322 |
| 2026 onwards | <u>1,447,041</u> | <u>1,090,416</u> |
| Total | <u>2,056,420</u> | <u>1,472,281</u> |

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Notes to the financial statements (continued)

11. Securities, bonds and obligations outstanding

(a) This caption is made up as follows:

| Local Issuances | Annual nominal Interest rate | Interest payment | Maturity | Issued amount (000) | 2022 S/(000) | 2021 S/(000) |
|--|---------------------------------|---------------------|----------|------------------------|------------------|------------------|
| Subordinated bonds - First program (b) | | | | | | |
| Eighth issuance (A serie) | 6.91% | Semiannually | 2022 | S/137,900 | - | 137,900 |
| | | | | | - | 137,900 |
| Subordinated bonds - Second program (b) | | | | | | |
| Second issuance (A serie) | 5.81% | Semiannually | 2023 | S/150,000 | 149,998 | 149,938 |
| Thrid issuance (A serie) | 7.50% | Semiannually | 2023 | US\$50,000 | 190,616 | 199,175 |
| | | | | | 340,614 | 349,113 |
| Corporate bonds - Second program | | | | | | |
| Fifth issuance (A serie) | 3.41% + VAC | Semiannually | 2029 | S/150,000 | 177,986 | 164,065 |
| Total local issuances | | | | | 518,600 | 651,078 |
| International issuances | | | | | | |
| Subordinated bonds (c) | 4.00% | Semiannually | 2030 | US\$300,000 | 1,137,691 | 1,188,394 |
| Corporate bonds (d) | 5.00% | Semiannually | 2026 | S/312,000 | 311,522 | 311,401 |
| Corporate bonds (e) | 3.25% | Semiannually | 2026 | US\$400,000 | 1,517,661 | 1,584,288 |
| Corporate bonds (f) | 3.375% | Semiannually | 2023 | US\$484,895 | 1,849,321 | 1,915,964 |
| Subordinated bonds (g) | 6.625% | Semiannually | 2029 | US\$300,000 | 1,142,764 | 1,193,461 |
| Total international issuances | | | | | 5,958,959 | 6,193,508 |
| Total local and international issuances | | | | | 6,477,559 | 6,844,586 |
| Interest payable | | | | | 94,169 | 98,036 |
| Total | | | | | 6,571,728 | 6,942,622 |

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Notes to the financial statements (continued)

- (b) Subordinated bonds do not have specific guarantees and, according with SBS regulation, qualify as second tier equity ("Tier 2") in the determination of the regulatory capital.
- (c) On June 30, 2020, the Bank placed corporate bonds called "4.00% Senior Notes due 2030" for S/300,000,000, under Rule 144A and Regulation S of the U.S. Securities Act of 1933 of the United States of America. The date of issuance of these bonds was July 8, 2020.

On July 8, 2025, prior authorization by the SBS, the Bank will be able to redeem the entirety of the bonds, having to pay a redemption price of 100 percent of the issued subordinated bonds. From that date onwards, in case the Bank does not perform the early redemption, the interest rate will increase by 371.1 basis points. After July 8, 2025, prior authorization by the SBS, the Bank will be able to redeem the entirety of the bonds, having to pay a redemption price of 100 percent of the issued subordinated bonds plus the present value of each scheduled coupon payment, discounted at the redemption date.

- (d) On September 24, 2019, the Bank placed corporate bonds called "5.00% Senior Notes due 2026" for S/312,000,000, under Rule 144A and Regulation S of the U.S. Securities Act of 1933 of the United States of America. The date of issuance of these bonds was October 1, 2019.
- (e) On September 25, 2019, the Bank issued corporate bonds called "3.25 Senior Notes due 2026" for US\$400,000,000, under Rule 144A and Regulation S of the U.S. Securities Act of 1933 of the United States of America. The date of issuance of these bonds was October 4, 2019
- (f) In January 2018, the Bank issued corporate bonds called "3.375 Senior Unsecured Notes" for US\$200,000,000, under Rule 144A and Regulation S of the U.S. Securities Act of 1933 of the United States of America.

Considering the issuance of bonds in January 2018 and the exchange of bonds made, issued previously made on that date, the total balance of the bonds "3.375 Senior Unsecured Notes" amounted to US\$484,895,000.

As of December 31, 2022, the Bank holds fourteen cross-currency swaps for a total of US\$441,000,000 (equivalent to approximately S/1,681,974,000), which were designated as cash flow hedges (fourteen cross-currency swaps for US\$441,000,000 equivalent to approximately S/1,758,267,000 as of December 31, 2021); see Note 8(b); through these operations, part of the issued amount by these bonds was economically converted into Soles at a fixed rate of 4.88 percent.

As of December 31, 2022, Management does not intend to redeem these bonds before their maturity date.

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 Note 25

Notes to the financial statements (continued)

- (g) Starting in March 2024, the applicable interest rate will be a floating rate of 3-month Libor plus 576 basis points payable quarterly. Starting on that date, the Bank can redeem 100 percent of the notes without penalties. In accordance with SBS regulation, this issuance qualifies as second tier equity (“Tier 2”) in the determination of effective equity.

As of December 31, 2022, Management does not intend to redeem these bonds before their maturity date.

- (h) The international issuances are listed at the Luxembourg Stock Exchange. On the other hand, the local and international issuances include standard clauses of compliance with financial and operational ratios. As of December 31, 2022 and 2021, the Bank mainly maintains the following clauses: (i) Submit audited financial statements on an annual basis and unaudited financial statements on a quarterly basis (both in Spanish and English); (ii) keep limitations in transactions with affiliated entities that are not performed under market conditions; and (iii) keep limitations regarding consolidation, merger or transfer of the Bank’s assets.

In Management’s and its internal legal advisers, this clause has been met by the Bank as of December 31, 2022 and 2021.

- (j) The table below presents the payment schedule of these obligations as of December 31, 2022 and 2021:

| Year | 2022 S/(000) | 2021 S/(000) |
|--------------|-------------------------|-------------------------|
| 2022 | - | 235,936 |
| 2023 | 2,284,104 | 2,265,077 |
| 2024 | - | - |
| 2025 | - | - |
| 2026 onwards | <u>4,287,624</u> | <u>4,441,609</u> |
| Total | <u><u>6,571,728</u></u> | <u><u>6,942,622</u></u> |

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Notes to the financial statements (continued)

12. Income tax deferred asset, net

(a) The table below presents the detail and movement of this caption:

| | Balance as of January 1, 2020 S/(000) | (Debit) credit to income S/(000) | (Debit) credit to equity S/(000) | Balance as of December 31, 2020 S/(000) | (Debit) credit to income S/(000) | (Debit) credit to equity S/(000) | Balance as of December 31, 2021 S/(000) | (Debit) credit to income S/(000) | (Debit) credit to equity S/(000) | Balance as of December 31, 2022 S/(000) |
|---|--|--|--|--|--|--|--|--|--|--|
| Deferred asset | | | | | | | | | | |
| Loan portfolio generic provision and other provisions | 242,026 | 208,743 | - | 450,769 | (117,563) | - | 333,206 | 29,265 | - | 362,471 |
| Levelling of assets and liabilities | 7,442 | (7,015) | - | 427 | (28,200) | - | (27,773) | 44,130 | - | 16,357 |
| Unrealized loss from fluctuation in available-for-sale investments | 43 | - | (43) | - | - | 3,151 | 3,151 | - | 8,537 | 11,688 |
| Other | 5,199 | - | - | 5,199 | (5,199) | - | - | - | - | - |
| Total deferred asset | 254,710 | 201,728 | (43) | 456,395 | (150,962) | 3,151 | 308,584 | 73,395 | 8,537 | 390,516 |
| Deferred liability | | | | | | | | | | |
| Amortization of intangibles | (74,439) | (6,662) | - | (81,101) | 11,636 | - | (69,465) | 4,022 | - | (65,443) |
| Voluntary revaluation of fixed asset, note 7(d) | (9,034) | 455 | - | (8,579) | 312 | - | (8,267) | 321 | - | (7,946) |
| Unrealized gains from fluctuations in available-for-sale investment | (2,069) | - | (2,783) | (4,852) | - | 4,055 | (797) | - | 438 | (359) |
| Unrealized (losses) gains from the valuation of derivatives for hedging purposes | 3,345 | - | 3,559 | 6,904 | - | (15,696) | (8,792) | - | 8,670 | (122) |
| Other | (8,165) | (1,692) | - | (9,857) | 1,166 | - | (8,691) | (370) | - | (9,061) |
| Total deferred liability | (90,362) | (7,899) | 776 | (97,485) | 13,114 | (11,641) | (96,012) | 3,973 | 9,108 | (82,931) |
| Total deferred asset, net | 164,348 | 193,829 | 733 | 358,910 | (137,848) | (8,490) | 212,572 | 77,368 | 17,645 | 307,585 |

(b) The table below presents the amounts reported in the statement of income for the years ended:

| | 2022 S/(000) | 2021 S/(000) | 2020 S/(000) |
|-----------------------------|-----------------|-----------------|-----------------|
| Current - Expense | 396,227 | 246,211 | 225,255 |
| Deferred - (Income) Expense | (77,368) | 137,848 | (193,829) |
| Total | 318,859 | 384,059 | 31,426 |

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Notes to the financial statements (continued)

(c) The table below presents the reconciliation of the effective Income Tax rate with the statutory Income Tax rate for the years 2022, 2021 and 2020:

| | 2022 | | 2021 | | 2020 | |
|--|------------------|---------------|------------------|---------------|----------------|---------------|
| | S/(000) | % | S/(000) | % | S/(000) | % |
| Income before Income Tax | <u>1,490,557</u> | <u>100.00</u> | <u>1,584,535</u> | <u>100.00</u> | <u>296,309</u> | <u>100.00</u> |
| Theoretical tax (29.5% in 2022, 2021 and 2020) | 439,714 | 29.50 | 467,438 | 29.50 | 87,411 | 29.50 |
| Effect of non-taxable income | | | | | | |
| Income exempt from taxation | (146,490) | (9.83) | (110,351) | (6.96) | (81,118) | (27.37) |
| Effect of non-deductible expenses | | | | | | |
| Non-deductible expenses | <u>25,635</u> | <u>1.72</u> | <u>26,972</u> | <u>1.70</u> | <u>25,133</u> | <u>8.48</u> |
| Income Tax recorded | <u>318,859</u> | <u>21.39</u> | <u>384,059</u> | <u>24.24</u> | <u>31,426</u> | <u>10.61</u> |

(d) In Management's opinion, the deferred Income Tax asset will be recovered from the taxable income that will be generated by the Bank over the coming years, including the portion that is recorded in shareholders' equity.

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Notes to the financial statements (continued)

13. Shareholders' equity

(a) Capital stock -

As of December 31, 2022 and 2021, the Bank's capital stock is represented by approximately 5,441,948,000 and 4,961,758,000 common shares, which are fully subscribed and paid-in, each with a nominal value of one Sol.

The General Shareholders' Meeting held on April 29, 2022, agreed to capitalize the earnings generated in 2021, net of legal reserve and distribution of dividends, for approximately S/480,190,000. Dividends distributed amounted to approximately S/600,238,000.

The General Shareholders' Meeting held on March 25, 2021, agreed to capitalize the earnings generated in 2020, net of legal reserve and distribution of dividends, for approximately S/238,395,000.

The General Shareholders' Meeting held on April 3, 2020, agreed to capitalize the earnings generated in 2019, net of legal reserve and distribution of dividends, for approximately S/785,910,000. Dividends distributed amounted to approximately S/302,273,000.

Under current regulations, there are no restrictions governing dividend distributions abroad or the repatriation of foreign capital.

(b) Treasury stock -

As of December 31, 2022 and 2021 this item corresponds to 18,387,000 Bank shares with an acquisition cost of approximately S/33,910,000.

(c) Legal and special reserves -

Pursuant to current legislation, the Bank is required to establish a legal reserve for an amount equivalent to at least 35 percent of its paid-in capital. This legal reserve is funded through an annual appropriation of at least 10 percent of net income and can only be used to absorb losses or be capitalized. In both cases, the Bank is required to replenish it.

The Shareholders' Meetings held on March 29, 2022 and March 25, 2021, agreed to the appropriation of legal reserves for the profits of the fiscal years 2021, 2020 for approximately S/120,048,000 and S/26,488,000, respectively.

The General Shareholders' Meeting held on March 29, 2004, approved the creation of a special reserve amounting to S/10,822,000, through the transfer of income generated in 2003. The Bank is not allowed to distribute or use this special reserve without prior authorization by the SBS.

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Notes to the financial statements (continued)

(d) Unrealized results from financial instruments

The unrealized results include the unrealized (losses) gains from the valuation of available-for-sale investments and the unrealized gains from derivatives instruments used as cash flow hedges. Changes in the unrealized results as of December 31, 2022, 2021 and 2020 presented net of their tax effect are as follows:

| | Available-for-sale investments S/(000) | Cash flow hedging derivatives S/(000) | Total S/(000) |
|--|--|---|------------------|
| Balance as of January 1, 2020 | 25,805 | (7,991) | 17,814 |
| Unrealized gain from available-for-sale investments, net of unrealized loss | 299,740 | - | 299,740 |
| Transfer of realized gain from available-for-sale investments to the statement of income, net of realized loss, Note 18(a) | (101,443) | - | (101,443) |
| Accrual realized loss from held-to-maturity investments to the statement of income, net of realized gain, Note 4(h) | 2,012 | - | 2,012 |
| Unrealized loss on cash flow hedging derivatives | - | (33,251) | (33,251) |
| Transfer to results of realized loss from cash flow hedge derivatives | - | 24,746 | 24,746 |
| | <hr/> | <hr/> | <hr/> |
| Balance as of December 31, 2020 | 226,114 | (16,496) | 209,618 |
| Unrealized loss from available-for-sale investments, net of unrealized gain | (520,759) | - | (520,759) |
| Transfer of realized gain from available-for-sale investments to the statement of income, net of realized loss, Note 18(a) | (99,946) | - | (99,946) |
| Accrual realized loss from held-to-maturity investments to the statement of income, net of realized gain, Note 4(h) | 2,141 | - | 2,141 |
| Unrealized gain on cash flow hedging derivatives | - | 24,047 | 24,047 |
| Transfer to results of unrealized loss from cash flow hedge derivatives | - | 13,465 | 13,465 |
| | <hr/> | <hr/> | <hr/> |
| Balance as of December 31, 2021 | (392,450) | 21,016 | (371,434) |
| Unrealized loss from available-for-sale investments, net of unrealized gain | (281,644) | - | (281,644) |
| Transfer of impairment loss of available-for-sale instruments, Note 4(f) | 2,818 | - | 2,818 |
| Transfer of realized loss from available-for-sale investments to the statement of income, net of realized gain, Note 18(a) | 2,884 | - | 2,884 |
| Accrual realized loss from held-to-maturity investments to the statement of income, net of realized gain, Note 4(h) | 2,213 | - | 2,213 |
| Unrealized loss on cash flow hedging derivatives | - | (36,862) | (36,862) |
| Transfer to results of unrealized loss from cash flow hedge derivatives | - | 16,142 | 16,142 |
| | <hr/> | <hr/> | <hr/> |
| Balance as of December 31, 2022 | (666,179) | 296 | (665,883) |

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Notes to the financial statements (continued)

(e) Components of other comprehensive income

The statement of other comprehensive income include other comprehensive income from available-for-sale investments, derivative financial instruments used as cash flow hedges and investments in associates and subsidiaries. Its respective movement is detailed below:

| | 2022 S/(000) | 2021 S/(000) | 2020 S/(000) |
|--|------------------|------------------|-----------------|
| Available-for-sale investments: | | | |
| Unrealized (loss) gain from available-for-sale investments | (281,644) | (520,759) | 299,740 |
| Transfer of impairment loss of available-for-sale instruments, Note 4(f) | 2,818 | - | - |
| Transfer of realized loss (gain) from available-for-sale investments, net of realized loss, nota 18(a) | 2,884 | (99,946) | (101,443) |
| Transfer of realized loss from held-to maturity investments to the statement of income, note 4(h) | 2,213 | 2,141 | 2,012 |
| Sub total | <u>(273,729)</u> | <u>(618,564)</u> | <u>200,309</u> |
| Income tax | (8,975) | (7,206) | 2,826 |
| | <u>(282,704)</u> | <u>(625,770)</u> | <u>203,135</u> |
| Cash flow hedges: | | | |
| Net (loss) profit of cash flow hedges | (36,862) | 24,047 | (33,251) |
| Transfer of realized loss from cash flow hedges to the statement of income | 16,142 | 13,465 | 24,746 |
| Sub total | <u>(20,720)</u> | <u>37,512</u> | <u>(8,505)</u> |
| Income tax | (8,670) | 15,696 | (3,559) |
| | <u>(29,390)</u> | <u>53,208</u> | <u>(12,064)</u> |

(f) Shareholders' equity for legal purposes (regulatory capital) -

According with the Legislative Decree No. 1028, regulatory capital must be equivalent to or more than 10 percent of the total risk weighted assets and contingent operations, represented by the sum of: the regulatory capital requirement for market risk multiplied by 10, the regulatory capital requirement for operational risk multiplied by 10, and the weighted assets and contingent credits by credit risk.

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Notes to the financial statements (continued)

Through Multiple Official Letter No. 27358-2021-SBS and Emergency Decree 003-2022, established that in the period between April 2021 and August 2022, the regulatory capital for financial companies shall be equal or higher than 8 percent of the assets and contingent assets weighted by total risks and from September 2022 until March 2023 of 8.5 percent. Once said period ends, the regulatory capital shall return again to be equal or higher than 10 percent, determined by the before mentioned.

As of December 31, 2022 and 2021, pursuant to Legislative Decree No. 1028 and amendments, the Bank keeps the following amounts related with the weighted assets and contingent credits by total risk and regulatory capital (basic and supplementary):

| | 2022 S/(000) | 2021 S/(000) |
|--|-----------------|-----------------|
| Total risk weighted assets and credits | 64,690,083 | 57,570,306 |
| Total regulatory capital | 9,754,806 | 9,135,614 |
| Basic regulatory capital (Level 1) | 7,016,417 | 6,262,096 |
| Supplementary regulatory capital (Level 2) | 2,738,389 | 2,873,518 |
| Global regulatory capital ratio | 15.08% | 15.87% |

As of December 31, 2022 and 2021, the Bank has complied with the SBS Resolutions No. 2115-2009, No. 6328-2009, No. 14354-2009, No. 4128-2014, Regulations for Regulatory Capital Requirements for Operational Risk, Market Risk and Credit Risk, respectively, and their amendments. These resolutions established, mainly, the methodologies to be applied by financial entities to calculate the weighted assets and credits for each type of risk.

In July 2011, the SBS issued Resolution No. 8425-2011, which was modified by the SBS Resolution No. 603-2016 and SBS Resolution No. 975-2016, which states that an entity must determine an additional regulatory capital. In this sense, Peruvian financial institutions must develop a process to assess the adequacy of their regulatory capital in relation with their risk profile, which must follow the methodology described in said resolution. The additional regulatory capital shall be equivalent to the amount of regulatory capital requirements calculated for each of the following components: economic cycle, concentration risk, market concentration risk and interest rates risk in the banking book and other risks. As of December 31, 2022 and 2021, the additional requirement of regulatory capital estimated by the Bank amounts to approximately S/840,914,000 and S/587,350,000, respectively.

In December 2021, the SBS issued Resolution No. 3921-2021, through which it establishes the modification to the calculation of the additional regulatory capital requirement for market concentration, considering the criteria of size, interconnection, substitutability and complexity. Also, it establishes an adaptation period of two years starting in December 2022.

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Notes to the financial statements (continued)

On March 26, 2020, the SBS issued Resolution No. 1264-2020, establishing that the calculation of regulatory capital requirements for mortgage loans and non-revolving consumer loans will not be increased. Also, said Resolution authorizes the financial entities to use the additional regulatory capital accumulated for the economic cycle component; see Note 2(a)(ii)(e). Likewise, said resolution authorizes financial entities to use the additional effective equity accumulated by the economic cycle component.

In that sense, as indicated in Note 2(a)(ii)(a), the Bank has granted loan reschedulings to its clients, such rescheduling consisted of performing changes in payment schedules and/or granting of grace periods so that the original term of loans was postponed; however, according to the SBS's indications, this term postponement has not generated that the Bank needs higher regulatory capital requirements regarding the weighting factor.

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

14. Tax situation

- (a) The Bank is subject to the Peruvian tax regime. The Income Tax rate as of December 31, 2022, 2021 and 2020, was 29.5 percent, over the taxable income.

Also, through Legislative Decree No. 1261, the rate applicable to dividends and any other form of distribution of Peruvian source income was modified and established at 5 percent. It is worth mentioning that retained earnings or other items susceptible of generating taxable dividends referred in Article 24-A of the Unique Orderly Text (henceforth "TUO", by its Spanish acronym) of the Income Tax Act, obtained between January 1, 2015 and December 31, 2016, which are part of the distribution of dividends or any other form of distribution of profits, will be subject to the rate of 6.8 percent, except for the assumption established in subsection g) of Article 24-A of the TUO, to which the rate of 4.1 percent will be applied.

Lastly, pursuant to the Ninth Complementary and Final Provision of Act No. 30296, retained earnings or other items susceptible of generating taxable dividends referred in Article 24-A of the TUO, obtained until December 31, 2014, which are part of the distribution of dividends or any other form of distribution of profits, are subject to the rate of 4.1 percent.

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Notes to the financial statements (continued)

(b) As detailed in Note 1(c), the Peruvian Government established a series of measures that included a prolonged period of mandatory social isolation as well as the temporary lockdown of some economic activities. To this respect, with the purpose of mitigating the effect of the temporary downturn of the Peruvian economy, the Government implemented tax measures so that companies do not interrupt their payments chain and comply with their labor, financial, commercial and operative duties. The tax regulations applicable to the Bank are the following:

1. Application of the discretionary power of not imposing administrative sanctions to tax infringements that debtors incur, whether committed or detected, during the National State of Emergency, pursuant to the Resolution of Superintendence No. 008-2020/SUNAT.
2. It was established, in an exceptional manner, a regime permitting taxpayers to reduce or suspend their advance payments of the Income Tax for the months of April, May, June and/or July 2020, pursuant to Legislative Decree No. 1471.

The regulation indicated that the suspension is applicable if after comparing the net income obtained in April, May, June and/or July 2020 with that obtained in the same months of the fiscal year 2019, there is a decrease of more than 30 percent. If the income has not been reduced, the advance payments of the Income Tax will be made under the general regulations in force.

3. It was established, in an exceptional and temporary manner, a special regime of depreciation for taxpayers of the General Regime of the Income Tax, as well as the modification of depreciation terms through the increase of the depreciation percentages, for certain assets, according to Legislative Decree No. 1488. This regime is applicable since the period 2021.

It should be noted that pursuant Act No. 31107, published on December 31, 2020, the aforementioned Legislative Decree No. 1488 was amended. Among the amendments introduced, it was established that the depreciation of buildings and constructions by applying the annual 20% shall be applicable until the total depreciation of said assets or only during the periods 2021 and 2022. The choice between these two options is made by the taxpayer when submitting their annual tax return of the Income Tax; and it is immutable.

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Notes to the financial statements (continued)

As mentioned in Note 2(a)(ii)(a), the SBS determined that for rescheduled loans due to Covid-19, accounted for as such, the entities of the financial system shall apply the following:

- Rescheduled loans of debtors classified as Normal are deemed debtors with credit risk higher than Normal, thus being subject to the credit risk level of CPP. These loans are subject to the application of specific provisions corresponding to the category CPP, which is applicable to consumer, micro-business and small-business loans.
- Rescheduled loans of debtors classified as Normal and CPP who have not repaid at least one complete installment, including capital, in the 6 months previous to the closing of the accounting reporting, are subject to the credit risk level of Substandard. These loans are subject to the application of specific provisions corresponding to the credit risk category of Substandard, which is applicable to consumer, micro-business and small-business loans.
- Rescheduled loans of debtors classified as Normal, CPP and Substandard who have not repaid at least one complete installment, including capital, in the last 12 months, are subject to the credit risk level of Doubtful. These loans are subject to the application of specific provisions corresponding to the credit risk category of Doubtful, which is applicable to consumer, micro-business and small-business loans.
- Regarding the accrued interest of the rescheduled loans, in accounting situation of outstanding, corresponding to the portfolio of consumer, micro-business and small-business loans, the applicable provision requirement corresponds to the credit risk category of Substandard. Accrued interest of debtors who have not repaid at least one complete installment, including capital, in the 6 months previous to the closing of the accounting reporting, are subject to the requirement of specific provisions corresponding to the credit risk category of Loss. Pursuant to the SBS regulation, the deadline for the recording of these provisions was December 31, 2021.

Also, it was determined that the non-collected accrued interest as of the date of the rescheduling, recognized as income to be capitalized due to the rescheduling, shall be reversed and recorded as deferred income, and accounted for as income in function of the new loan term, as the respective installments are being repaid.

In line with the aforementioned, it was published Ministerial Resolution No. 387-2020-EF/15 indicating that the provisions for rescheduled loans due to Covid-19 to which is referred the Eighth Final and Transitory Provision of the Regulation for the Assessment and Classification of the Debtor and the Provisions Requirement, approved by SBS Resolution No. 11356-2008, and amended by SBS Resolution No. 3155-2020, comply jointly with the requisites indicated by subsection h) of Article 37 of the Act, regulated by subsection e) of Article 21 of the Regulation; in that sense, it is mandated that these

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Notes to the financial statements (continued)

provisions shall be treated as specific provisions and shall be accepted for taxation purposes by the Tax Authority (henceforth "SUNAT" by its Spanish acronym).

On December 31, 2021, Ministerial Resolution No. 394-2021-EF/15 was published. It establishes that provisions for rescheduled loans due to Covid-19, as they are referred to by the Ninth final and transitory disposition of the Regulation on Debtors Assessment and Classification and Provision Requirements, approved through SBS Resolution No. 11356-2008, jointly meet the requisites indicated in subparagraph h) of Article 37 of the Income Tax Act. In this regard, subparagraph h) of Article 37 of the Income Tax Act indicates that the entities of the financial system can deduct from their gross income the provisions that jointly meet the following requisites:

- In the case of specific provisions;
- In the case of provisions that are not part of the regulatory capital; and
- In the case of provisions linked exclusively to credit risks classified in the categories With Potential Problems, Substandard, Doubtful and Loss.

- (c) Since the year 2011, with the amendment introduced by Act No. 29645 to the Income Tax Act, interest and other income generated by foreign loans granted to the Peruvian National Public Sector are also exempted from the Income Tax.

Likewise, there are considered income from Peruvian sources those obtained from the indirect disposal of shares or ownership interests of the capital stock of legal entities domiciled in Peru. For such purposes, an indirect disposal shall be considered to occur upon the sale of shares or ownership interests of the capital stock of a legal entity not domiciled in the country that, in turn, is the owner - whether directly or through one or more other legal entities - of shares or ownership interests of the capital stock of one or more legal entities domiciled in the country, certain concurrently the conditions established by law. It also defines the assumptions on which the issuer is jointly and severally liable.

Currently, the Income Tax Act establishes that a case of indirect transfer of shares occurs when, in any of the 12 months prior to the disposal, the market value of the shares or ownership interests of the domiciled legal entity is equivalent to 50 percent or more of the market value of the shares or ownership interests of the non-domiciled legal entity. Additionally, as a concurrent condition, it is established that a case of indirect transfer of shares also occurs when, in any period of 12 months, the disposal of shares or ownership interests representing 10 percent or more of the capital stock of a non-domiciled legal entity is performed.

Also, it is established that, regardless the compliance with the conditions regulated by the Income Tax Act, an indirect disposal assumption arises when, within any 12-month period, the total amount of the shares of the domiciled legal person whose indirect disposal is performed, is equal or greater than 40,000 UITs.

Translation of financial statements originally issued in Spanish - Note 25

Notes to the financial statements (continued)

According to Legislative Decree No. 1262, which amends Act No. 30341, Act that Promotes the Liquidity and Integration of the Securities Market, and through Emergency Decree No. 005-2019, until December 31, 2022, the income from the sale of the following securities is exempted from the Income Tax: a) Common and investment shares; b) American Depositary Receipts (ADR) and Global Depositary Receipts (GDR); c) Exchange Trade Fund units (ETF) having as underlying items shares and/or debt securities; d) Debt securities; e) Participation certificates in mutual funds of securities investment; and f) Participation certificates in Real Estate Investment Funds (FIRBI) and participation certificates in Real Estate Securitization Trusts (FIBRA).

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

1. Their sale must be performed through a centralized trading mechanism located in the country and supervised by the Superintendence of the Securities Market ("SMV" by its Spanish acronym).
2. Within a period of 12 months, the taxpayer and its related parties do not transfer, through one or several simultaneous or successive operations, the ownership of 10 percent or more of the entirety of stocks issued by the company. In the case of ADRs and GDRs, this requirement is determined considering the underlying shares.

If this requirement is not met, the taxable base is determined considering all the transfers that had been exempted during the 12 months prior to the sale. The relationship is rated pursuant to paragraph b) of Article 32-A of the Income Tax Act.

3. The securities must have a stock market listing.

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

Finally, it is established as cause of loss of the exemption if the issuer delists the securities from the Securities Registry of the Stock Exchange, in whole or in part, in one act or progressively, within the following 12 months after the sale is performed. Exceptions will be laid down by the Regulation.

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Notes to the financial statements (continued)

Notwithstanding the mentioned before, on December 30, 2022, Act No. 31662 was published, extending until December 31, 2023, the Income Tax exemption for the disposal of transferable securities performed at the Lima Stock Exchange ("BVL" by its Spanish acronym) in accordance with the aforementioned, providing the following:

1. The exemption is applicable to capital gains generated by a natural person, undivided estate or marital partnership that opted to pay taxes as such.
2. The exemption applies to up to the first 100 UITs of capital gain generated in each taxable period.

The requisites originally established by Act No. 30341, which fosters the liquidity and integration of the Securities Market, remain unchanged in relation to the marketability of securities and to keep the property of at least 10 percent of the securities issued by the company.

- (d) Regarding the Value Added tax credit ("IGV" by its acronym in Spanish), said tax is not levied on the interest accrued on securities issued by public or private offering by legal entities incorporated or established in Peru; as well as the interest accrued on securities not placed by public offering, when such securities have been purchased through any of the centralized trading mechanisms referred to in the Securities Market Act.

On December 30, 2021, Legislative Decree No. 1519 was published. Its aim is to extend the validity period of tax exemptions and benefits related to the IGV.

The extension of the validity of Legislative Decree No. 783 that approves the rule on the refund of taxes levied on acquisitions with donations from abroad and imports from diplomatic missions and others and the exemption of the IGV for the issuance of electronic money made by companies issuing electronic money until December 31, 2024.

It also amends Article 7 of the IGV Act, establishing that the exemptions comprising Appendixes I and II shall be valid until December 31, 2022. It is worth pointing out that the aforementioned legislation is effective from January 1, 2022.

- (e) For the purpose of determining the Income Tax, the transfer prices agreed for transactions between related entities, or for transactions conducted with or through entities domiciled in non-cooperating or low or zero tax countries or territories, or with entities or permanent establishments whose income, revenues or gains from said contracts are subject to a preferential tax regime, must be supported by documented information on the valuation methods applied and criteria used in the determination of such prices. On the basis of the analysis of the Bank's operations, in the opinion of Management and its internal legal advisors, the application of these tax standards will not have any material contingencies for the Bank as of December 31, 2022 and 2021.

Translation of financial statements originally issued in Spanish - Note 25

Notes to the financial statements (continued)

Through Legislative Decree No. 1312, published on December 31, 2016, the formal obligations for entities included within the scope of application of Transfer Pricing are modified, thus incorporating three new informative affidavits: (i) Local Report; (ii) Master Report; and (iii) Country Report. The first validity is as of 2017 for the operations that occurred during 2016 and the last two as of 2018 for the operations that have occurred since the year 2017.

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

- (f) In July 2018, through Act No. 30823, Congress delegated into the Executive Branch the power to legislate on various issues, including taxation and financial matters. In this sense, the main tax regulations issued were the following:
- (i) Beginning on January 1, 2019, the treatment applicable to royalties and remunerations for services rendered by non-domiciled persons was modified, eliminating the obligation to pay the amount equivalent to the withholding due to the accounting record of the cost or expense. Now the income tax is withheld at the payment or accreditation of the compensation. In order for said cost or expense to be deductible for the local company, the remuneration must have been paid or credited up to the filing date of the annual tax return for the Income Tax (Legislative Decree No. 1369).
 - (ii) The rules that regulate the obligation of legal persons and/or legal entities to inform the identification of their final beneficiaries (Legislative Decree No. 1372) were established. These rules are applicable to legal entities domiciled in the country, in accordance with the provisions of Article 7 of the Income Tax Act, and legal entities established in the country. The obligation covers non-domiciled legal entities and legal entities established abroad, provided that: a) they have a branch, agency or other permanent establishment in the country; b) the natural or legal person who manages the autonomous patrimony or the investment funds from abroad, or the natural or legal person who has the status of protector or administrator, is domiciled in the country; c) any of the parts of a consortium is domiciled in the country. This obligation will be complied through the presentation to SUNAT of an informative Sworn Statement, which must contain the information of the final beneficiary and be submitted, in accordance with the regulations and within the deadlines established by Superintendence Resolution issued by SUNAT.

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Notes to the financial statements (continued)

On December 23, 2022, Resolution of Superintendence No. 000278-2022/SUNAT was published, establishing that legal entities shall submit the Declaration of Ultimate Beneficiary until the dates established for the compliance of the monthly obligations corresponding to the period December 2023, thus modifying the original date of corresponding submission to December 2022.

On the other hand, it should be noted that Resolution of Superintendence No. 000041-2022 established that companies that in the period 2021 declared net income higher than 300 tax units ("UIT" by its Spanish acronym) (S/ 1,380,000.00) and up to 500 UITs (S/ 2,300,000.00), which were not required to submit said Declaration of Ultimate Beneficiary previously in the period 2022, shall submit said declaration in the tax period of May 2023, according to the last digit of their Taxpayer Registry Number, pursuant to the schedule of monthly obligations corresponding to the period 2023.

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

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

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

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Notes to the financial statements (continued)

- (iv) Amendments to the Income Tax Act were included, effective as of January 1, 2019, to improve the tax treatment applicable to the following (Legislative Decree No. 1424):
- Income obtained from the indirect transfer of shares or capital representing participations of legal persons domiciled in the country. Among the most relevant changes is the inclusion of a new assumption on indirect sale, which is configured when the total amount of the shares of the domiciled legal entity whose indirect disposal is made is equal to or greater than 40,000 Tax Units.
 - Permanent establishments of sole proprietorships, companies and entities of any nature incorporated abroad. For this purpose, new assumptions on permanent establishment have been included, among them, when the rendering of services in the country occurs, with respect to the same project, service or related one, for a period that exceeds 183 calendar days in total within any period of twelve months.
 - The regime of tax credits against Income Tax for taxes paid abroad, to be included in the indirect credit (corporate tax paid by foreign subsidiaries) as credit applicable against the Income Tax of domiciled legal persons, in order to avoid the double economic taxation.
 - The deduction of interest expenses for the determination of the corporate Income Tax. For the years 2019 and 2020, it is subject to the undercapitalization limit, set at up to 3 times the net equity as of December 31 of the previous year will be applicable, both to loans with related parties, and to loans with third parties contracted as of September 14, 2018. Beginning in 2021, the limit for the deduction of financial expenses shall be equivalent to 30 percent of the entity's taxable EBITDA (Net Income - Compensation of Losses + Net Interest + Depreciation + Amortization) of the previous period. There are some exceptions to the application of this limitation for the case of banks, taxpayers with income lower than 2,500 UITs, infrastructure, public services, among others.

Supreme Decree No. 402-2021, published on December 30, 2021, in force since December 31, 2021, amended the Regulation of the Income Tax Act that regulates the calculation of the taxable EBITDA regarding the debt interest limit.

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Notes to the financial statements (continued)

- (v) Regulations have been established for the accrual of income and expenses for tax purposes as of January 1, 2019 (Legislative Decree No. 1425). Until 2018, there was no normative definition of this concept, so in many cases accounting rules were used for its interpretation. In general terms, with the new criterion, for the purpose of determining the Income Tax, it shall be considered whether the substantial events for the generation of the income or expense agreed upon by the parties have occurred, provided they are not subject to a suspensory condition, in which case the recognition will be granted when it is fulfilled; the opportunity for collection or payment established shall not be taken into account; and, if the determination of the consideration depends on a future act or event, the total or part of the corresponding income or expense will be deferred until that act or event occurs
- (g) Supreme Decree No. 430-2020-EF, published on December 31, 2020, approved the Regulation that establishes the financial information that the companies of the financial system must provide to SUNAT in the fight against tax evasion and avoidance pursuant to Legislative Decree No. 1434. Said Regulation entered into force on January 1, 2021.

Considering that, said Regulation established the concepts that the Bank must report to SUNAT, which are, among others, cumulative balances and/or amounts, averages or highest amounts and gains generated in the accounts during the reporting period that are equal to or higher than S/30,800 in said period. The information shall be provided to SUNAT semi-annually through informative declarations containing monthly information.

- (h) Law No. 31106 extends until December 31, 2023, the validity of all the exemptions in force to date contained in Article 19 of the Income Tax Act.

On this regard, among the aforementioned extended exemptions that are applicable or related to the Bank's operations, are the following:

- Subsection i) of Article 19 which indicates that shall be exempted any type of fixed or variable interest rate, in local or foreign currency, that is paid for a deposit or levy pursuant to the General Act of the Banking and Insurance System and Organic Act of the Superintendence of Banking, Insurance and Private Pension Funds, Law No. 26702, as well as the capital increases of said deposits or levies, in local or foreign currency, except when said gains constitute third category income.
- Subsection l) of Article 19 indicates that shall be exempted the capital gain from the sale of transferable securities registered with the Public Registry of the Stock Exchange through centralized trading mechanisms referred to by the Securities Market Act; as well as the obtained from the sale of transferable securities out of centralized trading mechanisms provided that the sold item is a natural person, an indivisible succession or a conjugal society that opted to pay taxes as such.

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Notes to the financial statements (continued)

- (i) Legislative Decree No. 1529 was published on March 3, 2022, amending the Bankarization Act in order to promote the use of payment means and reduce the minimum amount for the use of payment means, according to the following:
- The minimum amount for the use of Payment Means is two thousand Soles (S/2,000) or five hundred American Dollars (US\$ 500).
 - With the purpose of improving the coverage of Payment Means and thus broaden the range of traceable operations, Article 3 of the Bankarization Act was amended in order to point out that the payment of sums of money in operations included in said article, for amounts equivalent or higher than 1 UIT, even when the payment is performed partially, can only be performed by using Payment Means contemplated by said Act.
 - The payment of obligations to non-domiciled natural and/or legal persons that must be performed through the Payment Means contemplated by said Act, can be channeled through either the Financial System Entities ("FSE"), or non-domiciled banking or finance companies, in the cases that the subject performs foreign trade operations, including the obligations derived from the acquisition of property and rights related to the holding of shares and other transferable securities.
 - The use of Payment Means is deemed complied with only if the payment is performed directly to the lender, supplier and/or service provider, or when said payment is made to a third party designated by the former, provided that such designation is informed to SUNAT prior to the Payment.
 - In no case the obligation to use Payment Means pursuant to the Act is deemed complied with when the payments are channeled through banking or finance companies domiciled in either non-cooperating countries or territories, with low or zero taxation, or a PE in said countries or territories.
 - The legislation entered into effect on April 1, 2022, with the exception of the amendment referred to the payment of non-domiciled FSEs located in low or zero taxation territories, which was set to enter into effect on January 1, 2023.
- (j) On March 26, 2022, Legislative Decree No. 1539 was published. It amends the Income Tax Act in order to incorporate new methods to establish the market value of transferable securities in operations between non-related third parties. Said legislation was set to enter into effect on January 1, 2023.

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Notes to the financial statements (continued)

- (k) On December 24, 2022, Resolution of Superintendence No. 000281-2022/SUNAT was published. It establishes, among other matters, the schedule of monthly tax obligations corresponding to the year 2023. Thus, the submitting of the Declaration of the Standard Common Report of the year 2022 before SUNAT, must be fulfilled according to the deadlines of the monthly obligations for the period April 2023, must take into account the dates established by said schedule.

Notice that on the dates established by said schedule the financial institutions subject to reporting must submit to SUNAT the financial information according to the following detail:

- Pre-existing accounts of natural persons (high and low value) as of 31.12.2022.
 - Pre-existing accounts of entities (reportable) as of 31.12.2022.
 - New accounts of natural personas as of 31.12.2022.
 - New accounts of entities as of 31.12.2022.
- (l) SUNAT is legally entitled to audit and, if applicable, correct the Income Tax calculated by the Bank for up to four years subsequent to the date at which the tax return was submitted. The tax returns of the Income Tax for the years 2017 to 2021 and Value-Added Tax for the monthly periods December 2017 to December 2021 are subject to tax audit by SUNAT. Given the possible interpretations that SUNAT may give to the legislation in effect, up to date it is not possible to determine whether or not any review to be conducted would result in liabilities for the Bank. Therefore, any increased tax or surcharge that could arise from possible tax audits would be applied to the results of the period in which such tax increase or surcharge may be determined.

On the other hand, in April 2004, June 2006, February 2007, June 2007, November 2007, October 2008 and December 2010, the Bank received a number of Tax Determination and Tax Penalty notices corresponding mainly to the income tax determination for the fiscal years 2000 to 2006. As a result, claims and appeals were filed and subsequent contentious administrative proceedings were started.

Regarding the tax litigations followed by the Bank related to the annual declaration of Income Tax for the years 2000 to 2006, the most relevant matter subject to discrepancy with SUNAT corresponds to whether the "interests in suspense" are subject to Income Tax or not. In this sense, the Bank considers that the interests in suspense do not constitute accrued income, in accordance with the SBS regulations and the IFRS, which is also supported by a ruling of the Permanent Chamber of Constitutional and Social Law of the Supreme Court issued in August 2009, and a recent pronouncement issued in June 2019.

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Notes to the financial statements (continued)

Notwithstanding the foregoing, in February 2018, the Third Transitory Chamber of Constitutional and Social Law of the Supreme Court issued a ruling regarding a third bank that impacted the original estimation regarding the degree of contingency for this discrepancy. Subsequently, in June 2019, the Permanent Chamber of Constitutional and Social Law of the Supreme Court, in a case followed by another financial entity, but identical to the Bank's case, ruled in favor of the tax treatment over the interest in suspense followed by said entity. Likewise, on July 6, 2020, and December 28, 2020, the Permanent Chamber of Constitutional and Social Law of the Supreme Court notified the Bank its ruling regarding the Income Tax 2003 and prepaid income tax for the year 2003, declaring groundless the cassation appeals filed by SUNAT and the MEF, thus reaffirming the position held by the Bank regarding that interest in suspense does not constitute taxable income. The same criterion has been adopted by the aforementioned Chamber regarding the Income Tax for the year 2002, according to the ruling that has been notified to the Bank on October 7, 2021.

On September 13, 2022 and June 16, 2022, the Permanent Chamber of Constitutional and Social Law of the Supreme Court notified the Bank its ruling regarding the advance payments of the Income Tax and the Income Tax 2004, declaring groundless the cassation appeals filed by SUNAT and the Ministry of Economy and Finance, thus reaffirming the position held by the Bank regarding that interest in suspense does not constitute taxable income. The same criterion has been adopted by the aforementioned Chamber regarding the 2001 Income Tax, according to the ruling that has been notified to the Bank on December 23, 2022.

The tax liability requested for this concept and other minor contingencies as of December 31, 2022, amounts to approximately S/290 millions (S/425 millions as of December 31, 2021), which includes the tax, fines and interest arrears, of which S/198 millions correspond to the interest in suspense and S/89 millions correspond to other minor repairs. From the tax and legal analysis performed, Management and its external legal advisers consider that there exists sufficient technical support for the prevailing of the Bank's position; as consequence, no provision has been recorded for this contingency as of December 31, 2022 and 2021.

On February 3, 2017, SUNAT closed the audit process corresponding to the Income Tax for the year 2010. The Bank paid the debt under protest and filed a complaint. Subsequently, on November 6, 2018, SUNAT closed again the audit process corresponding to the Income Tax 2010, which had been reopened due to invalidity. The Bank filed a claim procedure and afterwards a tax appeal. Currently, the appeal is pending resolution by the Tax Court. The appeal was resolved on May 27, 2022, and the contested Resolutions were declared null. On August 22, 2022, the Bank was notified of new Resolutions of Determination and Penalty regarding the 2010 Income Tax, which have been appealed by the Bank. To date, the appeal is pending resolution by SUNAT.

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Notes to the financial statements (continued)

On February 14, 2018, SUNAT, through Letter No. 180011585680-01-SUNAT notified the Bank of the commencement of partial audit process corresponding to the Income Tax for the year 2014. Posteriorly, on September 7, 2018, SUNAT closed the partial audit process, and no additional payments of such tax were determined.

On January 14, 2019, the Bank was notified of the Determination and Penalty Resolutions corresponding to the audit of the Income Tax for the fiscal year 2013. To such date, the tax debt requested by SUNAT amounts to approximately S/50 millions. The main concept observed was the deduction of loan write-offs without proof by the SBS.

On January 25, 2021, the Tax Court notified the Tax Court Resolution No. 00088-1-2021, through which it confirms, revokes and orders to resettle the concepts previously mentioned.

On May 25, 2021, the Bank filed before the Judiciary a claim against the Tax Court Resolution No. 00088-1-2021, which is pending resolution.

On December 22, 2022, the Tax Court notified of Resolution No. 09098-1-2022, which confirms the ruling by the Tax Court Resolution from January 25, 2021.

On December 30, 2022, through Resolution of Coactive Collection No. 0110060065138, SUNAT notified the Bank a deadline of 7 working days to pay the third-category Income Tax debt corresponding to the period 2013, for approximately S/62 millions.

As of December 31, 2022 and 2021, the tax debt requested for this concept and other minor contingencies amounts to approximately S/62 millions and S/41 millions, respectively, which comprises the tax, penalties and interest arrears.

In the opinion of Management and its legal advisors, any eventual additional payment of taxes would not be significant for the financial statements as of December 31, 2022 and 2021.

On April 26, 2019, SUNAT notified about the commencement of the definitive audit process on Income Tax withholdings of non-domiciled entities corresponding to the year 2018. To date, said audit is under process and no Resolutions have been issued by SUNAT.

On September 11, 2019, SUNAT notified the Bank about the beginning of the definitive audit process on the Income Tax corresponding to the year 2014.

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Notes to the financial statements (continued)

On November 26, 2021, SUNAT notified of Resolution of Determination No.0120030121490, issued regarding the annual third category Income Tax corresponding to the period 2014 without major values, as well as of Resolutions of Determination from No. 0120030121503 to No. 0120030121510, issued over the application of the additional rate of 4.1 percent of the Income Tax. In this regard, the debt requested by SUNAT as of December 31, 2022 and 2021, amounts to S/170,000 and S/161,000, respectively.

On December 23, 2021, the Bank filed the respective Claim Recourse.

On August 22, 2022, SUNAT notified of Resolution of Intendence No. 4070140000008, which declares partially founded the Claim Recourse and confirms the Resolutions of Determination from No. 0120030121503 to No. 0120030121510. On September 8, 2022, the Bank filed the respective Appeal Recourse before the Tax Court.

On December 12, 2019, SUNAT notified the Bank about the commencement of the definitive audit process for the Income Tax corresponding to the period 2015.

On December 28, 2021, SUNAT notified of Resolution of Determination No. 0120030123003, issued regarding the annual third category Income Tax corresponding to the period 2015, without major values, as well as Resolutions of Determination from No. 0120030122991 to 0120030123002, issued over Income Tax prepayments from January to December 2015; Resolutions of Penalty No. 0120020036593 to 0120020036594, issued for the months of January and February 2015, according to SUNAT, for declaring false figures or data; and Resolutions from No. 0120030123004 to No. 0120030123008, issued over the application of the additional rate of 4.1% of the Income Tax.

On January 24, 2022, the Bank filed the respective Claim Recourse.

On September 21, 2022, SUNAT notified the Bank of Resolution of Intendence No. 4070140000102, which declared unfounded the Claim Recourses filed against Resolution of Determination No. 0120030123003, issued regarding the annual third category Income Tax corresponding to the period 2015; Resolutions of Determination from No. 0120030122991 to No. 0120030123002, issued over prepayments of the Income Tax from January to December 2015; and Resolutions of Determination from No. 0120030123004 to No. 0120030123008, issued over the application of the additional rate of 4.1 percent of the Income Tax corresponding to March, May, September, October and December 2015; as well as Resolutions of Penalty from No. 0120020036593 to No. 0120020036594, over prepayments of the Income Tax of January and February 2015.

On October 8, 2022, the Bank filed the respective Appeal Recourse, which is pending resolution.

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Notes to the financial statements (continued)

As of December 31, 2022 and 2021, the tax debt requested by SUNAT related to the prepayment of the 2015 Income Tax and for the application of the Income Tax additional rate of 4.1% amounted to S/14 millions and S/13 millions, respectively.

On July 31, 2020, the Bank was notified of Resolutions of Determination and Penalty corresponding to the audit of the Income Tax for the period 2012. At said date, the tax debt requested by SUNAT amounted to approximately S/13 millions. On August 27, 2020, the Bank filed a Claim Recourse.

In this regard, on April 21, 2021, the Bank was notified of Resolution of Intendence No. 0150140015891, which declared partially founded the aforementioned claim. Also, it declared the nullity of the Resolution of Determination and Penalty. On May 10, 2021, the Bank filed the respective Appeal Recourse against the aforementioned Resolution. On November 3, 2021, the Tax Court notified of Resolution of the Tax Court No. 09381-9-2021, which confirms the aforementioned Resolution of Intendence.

On September 1, 2021, the Bank was notified of new Resolutions of Determination and Penalty regarding the Income Tax of the period 2012. On September 28, 2021, the Bank filed a Claim Recourse.

On May 25, 2022, SUNAT notified the Bank of Resolution of Intendence No.0150140016577, which declared unfounded the Claim Recourse filed against Resolution of Determination No.012-003-0119827 and Resolution of Penalty No.012-002-0035718, issued regarding the Income Tax of the period 2012.

On June 14, 2022, the Bank filed the respective Appeal Recourse, which is pending resolution by the Tax Court.

As of December 31, 2022 and 2021, the tax debt requested by SUNAT amounts to S/14 millions and S/13 millions, respectively.

On May 19, 2020, the Bank was notified with the Resolution of Compliance related to the Income Tax and advance payments of the Income Tax for the year 2005 (linked to the interest in suspense). Through said notification, SUNAT increased the requested tax debt from S/1 million to S/35 million because as a result of the Resolution of Compliance, certain previously accepted deductions by SUNAT.

On June 8, 2020, the Bank filed an Appeal Recourse against said Resolution of Compliance, which is pending pronouncement by the Tax Court.

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Notes to the financial statements (continued)

On December 30, 2022, the Tax Court notifies the Resolution of the Tax Court 09431-9-2022 by which the appealed resolution is revoked in the end of the reparations for Interest in suspense and proportionality of financial expenses, and payments on account and fines; and, orders the Tax Administration to issue a new pronouncement. The Bank is awaiting the Compliance Resolution.

On February 12, 2021, the Bank was notified with the compliance resolution related to Income Tax and the payments on account of income tax for the year 2006 (linked to the repair of suspended interest). Through this notification, the Tax Administration ignored an excess payment of S/3.5 million and determined a tax debt of S/23 million.

On December 30, 2022, the Tax Court notifies the Resolution of the Tax Court 09451-1-2022 by which it revokes the resolution appealed at the end of the reparation for Interest in suspension, of the coefficient of payments on account and fines; and, orders the Tax Administration to issue a new pronouncement. The Bank is awaiting the Compliance Resolution.

On December 22, 2021, by letter 210011740110-01-SUNAT, the Tax Administration notified the Bank of the start of the audit process for the Income Tax corresponding to the year 2017.

On October 28, 2022, the Tax Administration notified Determination Resolutions Nos. 0120030127896 to 0120030127908, issued for the annual income tax of third category corresponding to the year 2017 and the payments on account from January to December 2017, through which no tax debt was determined.

On 25 November 2022, the Bank lodged an appeal against those determination decisions. The appeal is pending resolution by the Tax Administration.

In the opinion of the Bank's management and its legal advisors, any possible additional tax settlement would not be material for the financial statements as of December 31, 2022 and 2021.

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Notes to the financial statements (continued)

15. Contingent risks and commitments

(a) This caption is made up as follows:

| | 2022 S/(000) | 2021 S/(000) |
|---|-------------------|-------------------|
| Contingent operations (b) | | |
| Indirect loans, Note 5(a) | | |
| Bank letters of guarantee and stand-by letters of credit | 4,017,168 | 4,168,957 |
| Import and export letters of credit | 480,134 | 264,331 |
| Due from bank acceptances | 45,809 | 152,423 |
| | <u>4,543,111</u> | <u>4,585,711</u> |
| Financial derivative instruments operations, Note 8(b) | 13,741,681 | 17,757,932 |
| Responsibilities for credit lines (c) | 13,213,024 | 11,213,104 |
| Responsibilities for credit lines - commercial and others (c) | 1,545,698 | 969,113 |
| Other contingent operations | 238,963 | 239,832 |
| Total contingent operations | <u>33,282,477</u> | <u>34,765,692</u> |

(b) In the normal course of its operations, the Bank performs contingent operations (indirect loans). These transactions expose the Bank to additional credit risk beyond the amounts recognized in the statement of financial position.

The credit risk on contingent transactions is related to the probability that one of the parties to the respective agreement does not fulfill the terms laid out in said agreement. The corresponding contracts consider the amounts that the Bank would assume for credit losses on contingent transactions.

The Bank applies the same credit policies for granting and evaluating the provisions required for direct loans (see Note 5(a)) when performing contingent operations, including obtaining guarantees when it deems it necessary. Guarantees vary and include deposits in financial institutions, securities or other assets.

Taking into account that many of the indirect loans are expected to expire without disburse of funds from the Bank, the total of contingent operations amounts do not necessarily represent future cash requirements.

(c) Responsibilities of credit lines include consumer, micro-business, small-business and corporate credit lines that are cancelable when the customer receives notice to that effect.

Translation of financial statements originally issued in Spanish - Note 25

Notes to the financial statements (continued)

- (d) The Bank provides services of custody, trustee, corporate administration, investment management and consulting to third parties, in which transactions are executed by the Bank on behalf of its customers but they do not bear any responsibility for the Bank regarding those decisions. Said assets are not included in these financial statements.

16. Interest income and expenses

This caption is made up as follows:

| | 2022 S/(000) | 2021 S/(000) | 2020 S/(000) |
|---|------------------|------------------|------------------|
| Interest income | | | |
| Interest and commissions on loan portfolios | 4,064,170 | 3,201,923 | 3,597,485 |
| Income from interests over investments | 449,170 | 266,507 | 238,285 |
| Interest on due from banks and inter-bank funds | 155,292 | 39,869 | 27,394 |
| Other income | 1,692 | 2,491 | 1,924 |
| Total Interest income | <u>4,670,324</u> | <u>3,510,790</u> | <u>3,865,088</u> |
| Interest expenses | | | |
| Interest and commissions on deposits and obligations | 823,630 | 299,141 | 478,778 |
| Interest on securities, bonds and other obligations outstanding | 344,240 | 358,683 | 326,498 |
| Interest and commissions for debts and financial obligations | 209,639 | 148,579 | 171,913 |
| Other expenses | 12,329 | 4,621 | 6,688 |
| Total interest expense | <u>1,389,838</u> | <u>811,024</u> | <u>983,877</u> |

Translation of financial statements originally issued in Spanish - Note 25

Notes to the financial statements (continued)

17. Income and expenses from financial services

This caption is made up as follows:

| | 2022 S/(000) | 2021 S/(000) | 2020 S/(000) |
|---|-------------------------|-----------------------|-----------------------|
| Income from financial services | | | |
| Commissions on credit cards | 437,039 | 324,003 | 278,694 |
| Commissions for savings accounts, transfers and others | 239,954 | 215,323 | 178,819 |
| Income from insurance | 206,385 | 182,399 | 183,819 |
| Commissions on contingent operations | 70,456 | 65,307 | 52,680 |
| Fee for collections services | 61,019 | 53,206 | 41,305 |
| Transactions at ATMs | 37,696 | 30,915 | 28,783 |
| Income from financial advisory services | 36,877 | 52,205 | 33,051 |
| Commissions for the "Reactiva Peru" program | 16,909 | 23,722 | - |
| Rates | 4,234 | 4,223 | 4,607 |
| Others | 30,538 | 36,416 | 36,486 |
| Total | <u>1,141,107</u> | <u>987,719</u> | <u>838,244</u> |
| Expenses from financial services | | | |
| Credit Cards | 164,722 | 128,580 | 105,772 |
| Insurances | 97,380 | 102,843 | 101,792 |
| Premiums paid to the Deposit Insurance Fund | 77,920 | 70,670 | 56,177 |
| Inter-bank transfer | 64,629 | 39,987 | 14,926 |
| Fees paid to foreign banks | 24,920 | 31,767 | 15,105 |
| Commissions for the "Reactiva Peru" program | 22,373 | 26,215 | - |
| Others (*) | 38,009 | 32,706 | 41,955 |
| Total | <u>489,953</u> | <u>432,768</u> | <u>335,727</u> |

(*) Correspond mainly to fees assumed by the Bank for covenants, Municipal Vehicular Tax, among others.

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Notes to the financial statements (continued)

18. Income (expense) on financial transactions

(a) This caption is made up as follows:

| | 2022 S/(000) | 2021 S/(000) | 2020 S/(000) |
|---|-----------------|-----------------|-----------------|
| Gain on exchange difference and exchange operations | 371,282 | 420,698 | 318,748 |
| Equity share from investments in subsidiaries and associates, Note 6(b) | 48,210 | 39,428 | 14,996 |
| Gain on sale of loans (b) | 19,177 | 11,848 | 12,962 |
| Loss from trading derivatives financial products, net | (11,873) | (58,781) | (40,749) |
| (Loss) gain from investments at fair value, net | (9,398) | 715 | 2,616 |
| Income from sale and valuation of investments, net (b) | (2,884) | 99,946 | 101,443 |
| Loss for reclassification of held-to-maturity investments, Note 4(h) | (2,213) | (2,141) | (2,012) |
| Gain on dividends | 225 | 72 | - |
| Other | (263) | (355) | (502) |
| Total | <u>412,263</u> | <u>511,430</u> | <u>407,502</u> |

(b) As of December 31, 2022, 2021 and 2020, the Bank sold in cash and performed with unrelated third parties, written-off loans, which amounted to S/973,966,000, S/501,540,000 and S/625,406,000, respectively.

19. Administrative expenses

(a) This caption is made up as follows:

| | 2022 S/(000) | 2021 S/(000) | 2020 S/(000) |
|---|------------------|------------------|------------------|
| Services received from third parties (b) | 944,397 | 851,636 | 691,622 |
| Personnel and Board of Directors expenses (c) | 653,632 | 615,470 | 591,554 |
| Taxes and contributions | 28,936 | 29,682 | 27,275 |
| Total | <u>1,626,965</u> | <u>1,496,788</u> | <u>1,310,451</u> |

Translation of financial statements originally issued in Spanish - Note 25

Notes to the financial statements (continued)

(b) The services received from third parties include mostly transport services for valuables, repairing and maintenance services, office leases, advertising and public relations, telecommunications, professional fees, among others.

(c) The table below presents the composition of personnel and Board of Directors expenses:

| | 2022 S/(000) | 2021 S/(000) | 2020 S/(000) |
|--|-----------------|-----------------|-----------------|
| Salaries | 430,931 | 422,850 | 412,738 |
| Legal and additional workers' profit sharing | 85,942 | 57,300 | 50,696 |
| Vacations, health insurance and others | 46,906 | 42,350 | 40,585 |
| Social security and pensions | 45,908 | 45,462 | 43,220 |
| Severance indemnities | 34,167 | 33,896 | 33,589 |
| Separation of personnel | 9,778 | 13,612 | 10,726 |
| Total | <u>653,632</u> | <u>615,470</u> | <u>591,554</u> |

The average number of employees of the years 2022, 2021 and 2021 was 6,246, 6,363 and 6,633, respectively.

20. Other income (expenses) , net

This caption is made up as follows:

| | 2022 S/(000) | 2021 S/(000) | 2020 S/(000) |
|--|-----------------|-----------------|-----------------|
| Gain (loss) on sale property, furniture and equipment | | | |
| 7(e) | 36,752 | (86) | 1,370 |
| Services rendered to third parties | 7,104 | 6,822 | 7,922 |
| Leases and others | 4,356 | 2,488 | 2,026 |
| Donations | (4,697) | (4,985) | (5,490) |
| Write-offs of intangibles, Note 8(e) | (6,266) | (10,371) | (824) |
| Provisions of assets received as payment and seized through legal actions | (7,420) | (2,893) | (254) |
| Other expenses | (18,170) | (26,199) | (5,209) |
| Total other expenses net | <u>11,659</u> | <u>(35,224)</u> | <u>(459)</u> |

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Notes to the financial statements (continued)

21. Basic and diluted earnings per share

Following is the calculation of the weighted average number of shares (net of treasury stock) and the basic and diluted earnings per share:

| | Shares outstanding, net of treasury stock (in thousands) | Shares considered in calculation (in thousands) | Days in year | Weighted average number of shares (in thousands) |
|--|---|--|--------------|--|
| Year 2020 | | | | |
| Balance as of January 1, 2020 | 3,919,066 | 3,919,066 | 365 | 3,919,066 |
| Capitalization of retained earnings performed in 2020, Note 13(a) | 785,910 | 785,910 | 365 | 785,910 |
| Capitalization of retained earnings performed in 2021, Note 13(a) | - | 238,395 | 365 | 238,395 |
| Capitalization of retained earnings performed in 2022, Note 13(a) | - | 480,190 | 365 | 480,190 |
| Balance as of December 31, 2020 | <u>4,704,976</u> | <u>5,423,561</u> | | <u>5,423,561</u> |
| Net income as of December 31, 2020 | | | | 264,883 |
| Basic and diluted earnings per share | | | | <u>0.049</u> |
| Year 2021 | | | | |
| Balance as of January 1, 2021 | 4,704,976 | 4,704,976 | 365 | 4,704,976 |
| Capitalization of retained earnings performed in 2021, Note 13(a) | 238,395 | 238,395 | 365 | 238,395 |
| Capitalization of retained earnings performed in 2022, Note 13(a) | - | 480,190 | 365 | 480,190 |
| Balance as of December 31, 2021 | <u>4,943,371</u> | <u>5,423,561</u> | | <u>5,423,561</u> |
| Net income as of December 31, 2021 | | | | 1,200,476 |
| Basic and diluted earnings per share | | | | <u>0.221</u> |
| Year 2022 | | | | |
| Balance as of January 1, 2022 | 4,943,371 | 4,943,371 | 365 | 4,943,371 |
| Capitalization of retained earnings performed in 2022, Note 13(a) | 480,190 | 480,190 | 365 | 480,190 |
| Balance as of December 31, 2022 | <u>5,423,561</u> | <u>5,423,561</u> | | <u>5,423,561</u> |
| Net income as of December 31, 2022 | | | | 1,171,698 |
| Basic and diluted earnings per share | | | | <u>0.216</u> |

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Notes to the financial statements (continued)

22. Transactions with related parties

(a) The table below presents the main balances of the accounts the Bank keeps with shareholders, subsidiaries and related parties as of December 31, 2022 and 2021:

| | 2022 | | | 2021 | | |
|---|-----------------------------|-------------------------|----------------------------|-----------------------------|-------------------------|----------------------------|
| | Shareholders (*) S/(000) | Subsidiaries S/(000) | Related parties S/(000) | Shareholders (*) S/(000) | Subsidiaries S/(000) | Related parties S/(000) |
| Assets | | | | | | |
| Cash and due from banks | - | - | 3,457 | - | - | 8,196 |
| Loan portfolio, net (b) | 35 | - | 1,324,132 | 13 | - | 1,323,753 |
| Available-for-sale investments | 8,943 | - | - | 10,567 | - | - |
| Other assets | 5 | 73 | 171,349 | - | 69 | 106,385 |
| Liabilities | | | | | | |
| Deposits and obligations | 202,072 | 32,857 | 582,962 | 116,480 | 23,215 | 904,317 |
| Securities, bonds and other obligations outstanding | - | - | 2,556 | - | - | 2,584 |
| Other liabilities | - | 290 | 1,636 | - | 309 | 4,946 |
| Off-balance sheet accounts | | | | | | |
| Contingent loans (b) | - | 22,200 | 89,891 | - | 22,550 | 106,710 |
| Derivatives held for trading | - | - | 5,721 | - | - | - |
| Income (expense) | | | | | | |
| 2021 | | | | | | |
| | Shareholders (*) S/(000) | Subsidiaries S/(000) | Related parties S/(000) | Shareholders (*) S/(000) | Subsidiaries S/(000) | Related parties S/(000) |
| Interest income | 304 | - | 70,939 | 1,286 | - | 65,907 |
| Interest expenses | (1,411) | (320) | (19,421) | (840) | (9) | (3,706) |
| Other, net (**) | 627 | 15,289 | 65,866 | 878 | 7,869 | 9,954 |

(*) Includes the balances and transactions with direct and indirect shareholders. The loan portfolio balance corresponds to Intercorp Perú Ltd. and those related to deposits and obligations correspond mainly to Intercorp Financial Services Inc.

(**) Includes the gain from the sale of a land lot to an entity related to the Bank for approximately S/33,006,000; see Note 7(e).

Under Peruvian legislation, all the loans to related parties must be granted on terms not more favorable than terms that the Bank offers to the public. Management believes that the Bank has fulfilled with all requirements set forth in prevailing regulation governing transactions carried out by related parties.

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Notes to the financial statements (continued)

(b) As of December 31, 2022 and 2021, the detail of loans to shareholders and related entities is the following:

| | 2022 | | | 2021 | | |
|--|----------------------------|--------------------------------|------------------|----------------------------|--------------------------------|------------------|
| | Direct Loans S/(000) | Contingent loans S/(000) | Total S/(000) | Direct Loans S/(000) | Contingent loans S/(000) | Total S/(000) |
| Supermercados Peruanos S.A. | 424,054 | 786 | 424,840 | 350,627 | 809 | 351,436 |
| Inretail Pharma S.A. | 277,557 | - | 277,557 | 220,640 | 626 | 221,266 |
| Homecenters Peruanos S.A. | 146,584 | - | 146,584 | 72,657 | - | 72,657 |
| Colegios Peruanos S.A. | 74,797 | 1,954 | 76,751 | 84,986 | 1,997 | 86,983 |
| GTP Inversionistas S.A.C | 76,387 | - | 76,387 | 80,543 | - | 80,543 |
| Centros de Salud Peruanos S.A.C. | 57,951 | - | 57,951 | 42,384 | - | 42,384 |
| Intralot de Perú S.A. | 33,490 | 21,696 | 55,186 | 66,855 | 17,731 | 84,586 |
| Universidad Tecnológica del Perú S.A.C. | 51,470 | - | 51,470 | 57,165 | - | 57,165 |
| Distribuidora Internacional de Polímeros S.A. | - | 34,174 | 34,174 | - | - | - |
| San Miguel Industrias Pet S.A. | 27,041 | 5,267 | 32,308 | - | 21,102 | 21,102 |
| Tiendas Peruanas S.A. | 24,744 | - | 24,744 | 47,333 | - | 47,333 |
| Internacional de Titulos Sociedad Titulizadora S.A. | - | 22,200 | 22,200 | - | 22,550 | 22,550 |
| Operadora de Servicios Logísticos S.A.C. | 18,151 | - | 18,151 | - | - | - |
| Bembos S.A.C. | 17,841 | 230 | 18,071 | 24,636 | 116 | 24,752 |
| Cineplex S.A. | 16,495 | 168 | 16,663 | 24,018 | 3,788 | 27,806 |
| IDAT S.A.C. | 14,978 | - | 14,978 | 16,620 | - | 16,620 |
| PF Interproperties Perú | - | 11,401 | 11,401 | 54,825 | 22,278 | 77,103 |
| Corporacion Peruana de Restaurantes S.A. | 8,318 | 160 | 8,478 | 9,090 | 150 | 9,240 |
| EP Franquicias S.A.C. | 7,959 | 139 | 8,098 | 10,555 | - | 10,555 |
| EP de Restaurantes S.A.C. | 7,675 | 91 | 7,766 | 9,131 | 90 | 9,221 |
| Procesos de Medios de Pago S.A. | 6,632 | - | 6,632 | 9,119 | - | 9,119 |
| Servicio de Transferencia Electrónica de Beneficios y Pagos S.A. | - | 5,842 | 5,842 | - | 14,106 | 14,106 |
| Compañía Hard Discount S.A.C. | 5,795 | - | 5,795 | - | - | - |
| Alert del Perú S.A. | 5,302 | 479 | 5,781 | 7,810 | 301 | 8,111 |
| Financiera OH! S.A. | 12 | 92 | 104 | 75,333 | 502 | 75,835 |
| Droguería Inretail Pharma S.A.C. | - | - | - | 47,165 | 11,961 | 59,126 |
| Others | 20,934 | 7,412 | 28,346 | 12,274 | 11,153 | 23,427 |
| | <u>1,324,167</u> | <u>112,091</u> | <u>1,436,258</u> | <u>1,323,766</u> | <u>129,260</u> | <u>1,453,026</u> |

(c) Loans to personnel -

The Bank grants loans to its employees and officers under terms that are similar to those offered to third parties with the various types of loans and other financial products available. Loans granted to employees mainly relate to mortgage loans and are presented in the caption "Loan portfolio, net" of the statement of financial position. The interest rates applied to employee loans are slightly lower than market interest rates; however, all other terms of the loans are substantially the same as those prevailing in the market. The balance of the loans to employees amounts to S/204,069,000 and S/204,040,000, as of December 31, 2022 and 2021, respectively,

(d) Board of Directors fees -

The total fees paid to the Board of Directors amounted to approximately S/1,542,000 and S/1,336,000 for the years ended 2022 and 2021; these amounts are included in the captions "Administrative expenses" of the statement of income.

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Notes to the financial statements (continued)

23. Financial instruments classification

The carrying amounts of financial assets and liabilities of each captions in the statement of financial position classified by category in accordance with IAS 39 "Financial Instruments" are presented as follows:

| | 2022 | | | | | | 2021 | | | | | |
|--|---|-------------------------------|--|--------------------------------------|---|-------------------|---|-------------------------------|--|--------------------------------------|---|-------------------|
| | Financial assets and liabilities designated at fair value | | | | | | Financial assets and liabilities designated at fair value | | | | | |
| | Held for trading or hedging S/(000) | Loans and receivables S/(000) | Available-for-sale investments S/(000) | Held-to-maturity investments S/(000) | Financial liabilities at amortized cost S/(000) | Total S/(000) | Held for trading or hedging S/(000) | Loans and receivables S/(000) | Available-for-sale investments S/(000) | Held-to-maturity investments S/(000) | Financial liabilities at amortized cost S/(000) | Total S/(000) |
| Financial assets | | | | | | | | | | | | |
| Cash and due from banks | - | 11,044,041 | - | - | - | 11,044,041 | - | 14,383,585 | - | - | - | 14,383,585 |
| Inter-bank funds | - | 296,119 | - | - | - | 296,119 | - | 30,002 | - | - | - | 30,002 |
| Investments at fair value through profit or loss-trading | 23,472 | - | - | - | - | 23,472 | 33,441 | - | - | - | - | 33,441 |
| Available-for-sale investments | - | - | 6,257,275 | - | - | 6,257,275 | - | - | 6,732,772 | - | - | 6,732,772 |
| Held-to-maturity investments | - | - | - | 3,287,647 | - | 3,287,647 | - | - | - | 3,280,899 | - | 3,280,899 |
| Loan portfolio, net | - | 43,381,548 | - | - | - | 43,381,548 | - | 41,248,943 | - | - | - | 41,248,943 |
| Other assets, net, Note 8(a) | 441,735 | 291,654 | - | - | - | 733,389 | 661,949 | 235,269 | - | - | - | 897,218 |
| | <u>465,207</u> | <u>55,013,362</u> | <u>6,257,275</u> | <u>3,287,647</u> | <u>-</u> | <u>65,023,491</u> | <u>695,390</u> | <u>55,897,799</u> | <u>6,732,772</u> | <u>3,280,899</u> | <u>-</u> | <u>66,606,860</u> |
| Financial Liabilities | | | | | | | | | | | | |
| Deposits and obligations | - | - | - | - | 42,954,013 | 42,954,013 | - | - | - | - | 43,942,457 | 43,942,457 |
| Inter-bank funds | - | - | - | - | 30,012 | 30,012 | - | - | - | - | - | - |
| Deposits from financial entities | - | - | - | - | 1,676,756 | 1,676,756 | - | - | - | - | 1,047,087 | 1,047,087 |
| Payables from repurchase agreements | - | - | - | - | 4,530,337 | 4,530,337 | - | - | - | - | 6,373,416 | 6,373,416 |
| Debts and financial obligations | - | - | - | - | 2,196,257 | 2,196,257 | - | - | - | - | 1,739,252 | 1,739,252 |
| Securities, bonds and obligations outstanding | - | - | - | - | 6,571,728 | 6,571,728 | - | - | - | - | 6,942,622 | 6,942,622 |
| Provision and other liabilities, Note 8(a) | 297,004 | - | - | - | 904,358 | 1,201,362 | 413,126 | - | - | - | 719,312 | 1,132,438 |
| | <u>297,004</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>58,863,461</u> | <u>59,160,465</u> | <u>413,126</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>60,764,146</u> | <u>61,177,272</u> |

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Notes to the financial statements (continued)

24. Financial risk management

It comprises the management of the main risks that the Bank is exposed to due to the nature of its operations: credit risk, market risk, liquidity risk and operational risk.

- Credit risk: Probability of loss due to inability or unwillingness to pay of the debtors, counterparts or third parties bound to comply with their contractual obligations.
- Market risk: Probability of losses in positions on and off-balance sheets resulting from variations in market conditions, including the following type of risks: exchange rate, interest rate type, price, among other.
- Liquidity risk: Probability of loss due to noncompliance with the requirements of financing and fund application that arise from imbalances of cash flows and after the equity position.
- Operational risk: Probability of losses due to inadequate processes, personnel and information technologies failures, or external events.

In order to manage said risks, the Bank has a structure and organization specialized in the management, measurement and reporting systems, and mitigation and coverage processes.

(a) Structure and organization of risk management -

The Bank has a managerial and governance structure that allows it to adequately articulate the management and control of the risks it is exposed to.

(i) Board of Directors

The Bank's Board of Directors is responsible of establishing an appropriate and integral risk management and enabling an internal environment that facilitates its control. The Board is permanently informed about the exposure degree of the diverse risks managed by the Bank.

The Board has created several specialized committees to which it has delegated specific tasks in order to enhance risk management and internal control.

(ii) Comprehensive Risk Management Committee

The Comprehensive Risk Management Committee ("GIR", by its Spanish acronym) is a corporate body created by Board's agreement. It is responsible of approving the policies and organization for the comprehensive risk management as well as the amendments to said policies. This GIR Committee defines the level of tolerance and the exposure degree to risk that the Bank is willing to assume when conducting its business and also decides the necessary actions aimed to implement the required corrective measures in case of deviations from the levels of tolerance to risk. The GIR Committee is comprised by two members of the Board, the Chief Executive Officer and the Vice-Presidents. The GIR Committee reports monthly to the Board the main issues it has discussed and the agreements adopted in their respective meetings.

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Notes to the financial statements (continued)

(iii) Audit Committee

The Audit Committee is a corporate body created by Board's agreement. Its main purpose is to surveil the appropriateness of the processes of accounting and financial reporting, as well as to evaluate the activities performed by the auditors, both internal and external.

The Committee is comprised by three members of the Board and can also have the participation of the Chief Executive Officer, the Manager of the Internal Audit Division, the Vice-president of Corporate and Legal Affairs and other Bank's executives, as required.

The Committee gathers at least six times a year in ordinary sessions and submits a copy of its Minutes to the Board, thus informing the most relevant issues discussed.

(iv) Assets and Liabilities Committee

The Assets and Liabilities Committee (henceforth "ALCO") is a corporate body created by Board's agreement. Its main purpose is to manage the structure of the Bank's financial position, in function of its profitability and risk targets. The ALCO is also responsible for the proposition of new products or operations that contain components of market risk.

Likewise, it is the communication channel with the units that generate market risks. The ALCO meets monthly and is comprised by the Chief Executive Officer, the Vice-Presidents of the divisions of Capital Markets, Finance, Risks, Commercial, Retail Business, Distribution Channels, Operations, and the Manager of the Position Desk, and has as permanent guests the Manager of Market Risk and the Manager of Planning and Control Management.

(v) Chief Executive Officer

The Chief Executive Officer has the responsibility of implementing an adequate comprehensive risk management. He also directs and coordinates the efforts of the different commercial and supporting Vice-Presidencies, aiming to establish an adequate balance between risk and profitability. The Vice-Presidency of Risks is a first line body that reports directly to the Chief Executive Officer, and it is in charge of proposing the policies, procedures and methodologies for a competent comprehensive risk management, and of promoting the alignment of the actions aimed to manage the Bank's risks with the levels of risk appetite and risk tolerance, as well as the development of appropriate controls. The Vice-Presidency of Risks is comprised by the following divisions: Corporate Risks Screening, Business Risks Screening, Risks and Recoveries Tracking, Operational Risk, Retail Banking Risks, Small-Businesses Banking Risks, Market Risk, Collections and the Department of Credit Risk Management Models.

(vi) Internal Audit

The Internal Audit Division reports functionally to the Board. It provides with independent services and objectives of assurance and consultancy. It also supports the Bank into meeting its objectives through the application of a systemic and disciplined approach in order to assess and enhance the efficiency of its governance processes, risk management and control.

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Notes to the financial statements (continued)

(b) Risk measurement and reporting systems -

The Bank uses different models and rating tools at the client or product level in order to manage risks. These tools measure and value the risk with a prospective vision, thus allowing the making of better risks decisions in the different stages or life cycle of each loan.

Said tools are permanently monitored and periodically validated in order to assure that the levels of prediction and performance are being maintained, and to make the corrective actions or adjustments to the models, when needed.

Risk control is performed on a budgetary basis. Annually, the Bank establishes the commercial strategy by banking service or by product, as well as the maximum risk level to be taken, with the purpose of obtaining a desired profitability and a target level of capital or solvency.

The risk management indicators are permanently reviewed and assessed, with the purpose of identifying possible deviations in the risk profile with respect to the stipulated risk appetite and thus applying timely corrective actions. This information is monthly submitted to the GIR, and periodically to the Board.

(c) Risk mitigation and risk coverage -

The credit risk is the main risk to be managed by the Bank and in order to mitigate its exposure to it and provide with adequate risk coverage, it has established a series of measures, among which the following stand out:

- Policies, procedures, methodologies, models and parameters aimed to allow to identify, measure, control and report credit risk.
- Reviewing and assessment of credit risk through specialized units of risk screening which are independent from the Bank's Commercial Division and which assess all the credit risks prior to the loan approvals or prior to the acquisitions of specific investments.
- Timely monitoring and tracking of credit risk and its maintaining within a defined tolerance level.
- Compliance with regulatory limits and establishment of internal limits for the exposure concentrations to debtors and counterparties, such as those related to sector concentration (for loans), by issuer, credit rating and liquidity.
- Procedures for the management of guarantees backing the loans granted, so that said guarantees can effectively mitigate the assumed risk.

Likewise, as part of the comprehensive risk management, in certain circumstances the Bank uses derivative financial instruments to mitigate the risk exposure, which arises from the variations in interest rates and exchange rates.

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Notes to the financial statements (continued)

(d) Risk concentration -

Through its policies and procedures, the Bank establishes the patterns and mechanisms needed to prevent an excessive risk concentration as well as to allow a diversified portfolio. In case any concentration risk is identified, the Bank works with specialized units whose aim is to control and manage said risks. For instance, the Bank performs a monthly monitoring of industry concentration for its Commercial Banking clients, as established in the Manual of Tracking Policies on Commercial Banking, and whose limits are monitored and controlled by the Division of Risk and Recoveries Tracking, considering the relevant regulation and the legal limits stipulated by the SBS.

24.1 Credit risk

It is defined as the likelihood of incurring in financial losses originated by the breaching of the contractual obligations by a counterpart or bound third parties due to insolvency, inability or lack of willingness to pay.

- (a) The Bank opts for a risk policy that ensures a sustained and profitable growth in all its products. In doing so, it applies assessment procedures for the adequate decision-making, tools and methodologies that allow the identification, measurement, mitigation and control of the different risk in the most efficient manner and in accordance to SBS regulations. Likewise, the Bank develops management models that allow an adequate measurement, quantification and monitoring of the loans granted by each business unit, and also encouraging the continuous improvement of its policies, tools, methodologies and processes.

The Bank's exposure to credit risk is managed through the permanent assessment of the debtors' and potential debtors' ability to comply with the interests and principal payments of their obligations and through the change in the loan limits when appropriate. The exposure to credit risk is also partly managed through personal and corporate guarantees, but there is a significant portion of the loans upon which said guarantees cannot be obtained.

The Bank performs indirect transactions, such as letters of guarantee, endorsement letters and letters of credit, that represent a credit risk if the customer breaches the conditions of the agreed credit.

The Bank applies the same policies used to granting and assessment of the indirect loans (see Note 15(b)) and includes obtaining of guarantees whenever it deems necessary.

(i) Management of guarantees -

(i.1) Policies and procedures for guarantees management and valuation

The Bank's policy for credit risk mitigation comes from its business conceptualization, which is thoroughly centered in relationship banking. Within this framework, guarantees requirement can be a necessary but not sufficient instrument for risk concession.

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Notes to the financial statements (continued)

The Bank has policies and guidelines established for the management of guarantees received as collaterals of loans granted, which allows them to mitigate the assumed credit risk. Assets that guarantee loan operations bear a certain value prior to the loans approving and the procedures for their updating are described in the Manual of Appraisal for Guarantees, which contains what is established by the SBS Resolution No.11356-2008 "Regulation on Debtors Assessment and Classification and Provision Requirements" and its amendments.

In order to manage guarantees, the Bank operates specialized divisions on the constitution, management and release of guarantees.

(i.2) Types of guarantees

Guarantees that back loan operations are constituted by different goods and property, securities and financial instruments, and their preferential statuses depend on the following conditions:

- Easy convertibility into cash, which can be used to pay the guaranteed obligation.
- Proper legal documentation, duly registered at the corresponding public records.
- Do not present previous obligations that could reduce their value.
- Their value is updated.

(b) Maximum exposure to credit risk -

As of December 31, 2022 and 2021, Management estimates that the maximum credit risk to which the Bank is exposed is represented by the book value of the financial assets which show a potential credit risk and consist mostly of deposits in banks, active inter-bank funds, available-for-sale investments, held-to-maturity investments, the loan portfolio (direct and indirect), without considering the fair value of the guarantees and collaterals, derivatives financial instruments transactions and other monetary assets. The exposure for any borrower, including banks and investments, is further structured by sub-limits covering on and off-balance sheet exposures (contingent account) and daily delivery risk limits for trading items such as forward foreign exchange contracts. Actual exposure against limits is daily monitored.

In that sense, as of December 31, 2022 and 2021:

- 94.8 percent and 94.6 percent, respectively, of the loan portfolio are classified into the two upper levels defined by the SBS.
- 94.7 percent and 94.5 percent respectively, of the loans are deemed non-past-due and non-impaired.
- 97.0 percent and 97.2 percent, respectively, of available-for-sale investments and held-to-maturity investments are rated investment grade (BBB- or higher) or are debt instruments issued by the BCRP or the Peruvian Government.

Translation of financial statements originally issued in Spanish - Note 25

Notes to the financial statements (continued)

- 88.7 percent and 89.7 percent, respectively, of the available funds represent the amounts deposited in the vaults of the BCRP, being the balance in local and international financial entities of first level.
- In addition, as of December 31, 2022 and 2021, the Bank holds loans (direct and indirect) granted to entities related to the infrastructure sector that, since last year, have been exposed to local and international events, for an amount of approximately S/712,662,000 (S/163,534,000 in direct loans and S/549,128,000 in indirect loans) and S/1,055,904,000 (S/334,375,000 in direct loans and S/721,529,000 in indirect loans), respectively. The performance of these instruments will depend on the future development of the aforementioned events, which are out of the Bank control. However, it is important to mention that direct loans have guarantees and coverage that significantly reduce credit risk.

Regarding the assessment of the loan portfolio, the Bank performs the classification of debtors into the risk categories established by the SBS and according to the classification criteria set for each loan type that is, for the debtors belonging to the Commercial, Small and Micro-Business, Consumer and Mortgage portfolios. The debtor classification into their corresponding categories is determined by following the criteria set by SBS Resolution No.11356-2008 "Regulation on the Assessment and Classification of Debtors and Provision Requirements" and amendments.

(c) Credit risk management for loan placements -

In order to perform credit risk management, the Vice-Presidency of Risks applies processes to each business segment which comprise three fundamental stages: risk screening, risk tracking and their monitoring, and recovery of troubled portfolio. These processes have the purpose of maintaining a loan quality according to the appetite for risk defined by the Bank's Senior Management.

The process of loan admission is fundamentally based on the good knowledge on the client and its economic activity, being determining the evaluation of its payment ability, credit history and solvency. This process leans on the applying of risk management methodologies and tools that allow to measure and value the risk quality of the loan to be granted, through models and automatic qualification systems for loan admission.

The portfolio tracking and monitoring process is performed through an integrated system of alerts aimed to early detect the credit risk, which allow the identification of clients exposed to potential risks that would affect their payment ability with a possible impact on their credit evolution and upon which there must be taken immediate preventive, corrective and tracking actions. In order to do so, the Bank applies systems, models and guidelines which allow the tracking of debtors regarding the evolution of the detected risks, decision-making and management of said risks to achieve their normalization or collection.

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Notes to the financial statements (continued)

For each business segment, a permanent monitoring is performed on the portfolio's main trends, in terms of the evolution of quality indicators, economic sector and geographic concentration, among others.

Lastly, the collection process of the troubled loan portfolio is performed through a set of coordinated actions which are applied for the adequate and timely recovery of loans. Their purpose is to minimize losses in loans exposed to high credit risk.

(d) Rescheduled loans

As mentioned in Note 1(b), as result of the declaration of the National State of Emergency, which was in force during December 2022 and the beginning of the year 2023, the SBS issued extraordinary measures allowing the financial system entities to modify the contractual conditions of the diverse modalities of retail loans that may have been affected by the social conflicts the country is experiencing.

As of December 31, 2022, the Bank has not performed any rescheduling of loans in relation to the social conflicts; however, as of the date of this report, the Bank is assessing the necessity to grant reschedulings to its clients.

In addition, as result of the financial damages caused by Covid-19, as mentioned in Note 1(c), the SBS issued extraordinary measures aimed to alleviate the financial and economic impact on the clients of the financial system. The main measure adopted by the SBS is described in Note 2(a)(ii)(a).

In that sense, the Bank, aligning to said measures, has granted facilities to its clients aimed to reschedule their loans, thus offering three types of rescheduling:

- Unilateral: loans that the Bank reschedules proactively over part of the loan's balance.
- Landing: loans rescheduled at the client's request over part of the loan's balance.
- Structural: loans rescheduled proactively by the Bank or at the client's request and over the entire loan's balance.

These rescheduled loans have been offered to all clients who were up to date with their payments as of February 29, 2020, or who at said date presented a maximum of 30 days past due in their payments (initially to clients who presented 15 days past due at said date), generating that for accounting purposes these loans do not impair, due to the changes in the payment schedules and/or grace periods granted to clients under these three types of rescheduling.

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Notes to the financial statements (continued)

The rescheduled loans granted by the Bank have not generated changes in the risk classification of its clients; therefore and pursuant to SBS's indications, it has not been necessary to constitute additional provisions; however, considering the detailed monitoring performed by the Vice-Presidency of Risks of the economic situation of the country due to the crisis generated by Covid-19, it has been identified an increase in the credit risk of rescheduled clients and, together with Management, have decided to constitute voluntary provisions in order to face this risk. During the year 2020, the Bank constituted voluntary provisions for an amount of S/637,491,000.

As of December 31, 2022 and 2021, the Bank keeps a balance of voluntary provisions amounting to S/240,587,000 and S/247,153,000, respectively, which cover the possible increase of the clients' credit risk.

As explained in Note 2(a)(ii)(a), in February and March 2021, the SBS issued Official Multiple Letters, which authorized the financial entities to reschedule their clients' debts during the year 2021. The Bank has not performed reschedulings of loans related to the state of emergency.

During 2022 and 2021, reschedulings of loans granted through the "Reactiva Peru" program were performed; see Note 2(a)(ii)(d). The reschedulings of the loans under the "Reactiva Peru" program amounted to approximately S/133,046,000 and S/2,012,855,000. As of December 31, 2022 and 2021, the balance of rescheduled loans of the "Reactiva Peru" program amounts to approximately S/1,473,770,000 and S/1,974,180,000.

The SBS stipulated that the financial entities shall record additional provisions for the rescheduled loans, in function of a series of criteria that are detailed in Note 2(b). In this regard, for the years ended December 31, 2022 and 2021, the Bank recorded additional provisions for rescheduled loans for S/11,491,000 and S/66,382,000, respectively.

In Management's opinion, the Bank has sufficient voluntary and specific provisions to face the increase of credit risk of these rescheduled loans.

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Notes to the financial statements (continued)

The table below presents three groups of direct loans: (i) Non-past-due and non-impaired loans, which comprise direct loans that currently do not present delinquency characteristics and are related to clients classified as "Normal" and "with Potential problems"; (ii) Past-due but non impaired loans, which comprise past-due loans to clients classified as "Normal" or "with Potential problems"; and (iii) impaired loans, those past-due loans classified as "Substandard", "Doubtful" or "Loss". It also presents the provision for loan losses for each loan type.

| Loan classification | 2022 | | | | | | 2021 | | | | | |
|--|-----------------------------|---------------------------|---------------------------|---|-------------------|------------|-----------------------------|---------------------------|---------------------------|---|-------------------|------------|
| | Commercial loans S/(000) | Consumer loans S/(000) | Mortgage Loans S/(000) | Small and micro-business loans S/(000) | Total S/(000) | % | Commercial loans S/(000) | Consumer loans S/(000) | Mortgage loans S/(000) | Small and micro-business loans S/(000) | Total S/(000) | % |
| Neither past due nor impaired | | | | | | | | | | | | |
| Normal | 18,441,748 | 13,461,174 | 8,789,048 | 1,110,920 | 41,802,890 | 97 | 19,074,868 | 11,561,870 | 8,062,814 | 1,149,988 | 39,849,540 | 97 |
| With potential problems | 532,849 | 379,488 | 93,358 | 49,128 | 1,054,823 | 2 | 498,197 | 201,229 | 62,933 | 49,002 | 811,361 | 2 |
| | <u>18,974,597</u> | <u>13,840,662</u> | <u>8,882,406</u> | <u>1,160,048</u> | <u>42,857,713</u> | <u>99</u> | <u>19,573,065</u> | <u>11,763,099</u> | <u>8,125,747</u> | <u>1,198,990</u> | <u>40,660,901</u> | <u>99</u> |
| Past due but not impaired | | | | | | | | | | | | |
| Normal | 27,242 | 26 | - | 4 | 27,272 | - | 17,755 | 30 | - | 1 | 17,786 | - |
| With potential problems | 40,794 | 46 | 281 | 31 | 41,152 | - | 39,486 | 16 | 144 | - | 39,646 | - |
| | <u>68,036</u> | <u>72</u> | <u>281</u> | <u>35</u> | <u>68,424</u> | <u>-</u> | <u>57,241</u> | <u>46</u> | <u>144</u> | <u>1</u> | <u>57,432</u> | <u>-</u> |
| Impaired | | | | | | | | | | | | |
| Substandard | 228,696 | 290,808 | 91,530 | 38,731 | 649,765 | 2 | 248,016 | 160,939 | 66,355 | 45,514 | 520,824 | 1 |
| Doubtful | 83,415 | 475,667 | 96,382 | 72,496 | 727,960 | 2 | 185,626 | 311,495 | 106,353 | 133,325 | 736,799 | 2 |
| Loss | 296,507 | 370,535 | 235,664 | 63,035 | 965,741 | 2 | 365,960 | 310,618 | 274,201 | 115,108 | 1,065,887 | 3 |
| | <u>608,618</u> | <u>1,137,010</u> | <u>423,576</u> | <u>174,262</u> | <u>2,343,466</u> | <u>6</u> | <u>799,602</u> | <u>783,052</u> | <u>446,909</u> | <u>293,947</u> | <u>2,323,510</u> | <u>6</u> |
| Total loan portfolio gross | <u>19,651,251</u> | <u>14,977,744</u> | <u>9,306,263</u> | <u>1,334,345</u> | <u>45,269,603</u> | <u>105</u> | <u>20,429,908</u> | <u>12,546,197</u> | <u>8,572,800</u> | <u>1,492,938</u> | <u>43,041,843</u> | <u>105</u> |
| Less: Provision for loan losses | <u>587,264(*)</u> | <u>1,225,339(*)</u> | <u>334,878</u> | <u>100,352(*)</u> | <u>2,247,833</u> | <u>5</u> | <u>589,684(*)</u> | <u>1,026,281(*)</u> | <u>348,116</u> | <u>102,948(*)</u> | <u>2,067,029</u> | <u>5</u> |
| Total, net | <u>19,063,987</u> | <u>13,752,405</u> | <u>8,971,385</u> | <u>1,233,993</u> | <u>43,021,770</u> | <u>100</u> | <u>19,840,224</u> | <u>11,519,916</u> | <u>8,224,684</u> | <u>1,389,990</u> | <u>40,974,814</u> | <u>100</u> |

(*) As of December 31, 2022 and 2021, the provision for indirect loans of S/92,793,000 and S/97,266,000, respectively, that are presented in the caption "Provisions and other liabilities" is excluded; see Note 8(a).

As of December 31, 2022 and 2021, the refinanced outstanding loans amount to S/322,941,000 and S/236,520,000, respectively. The past due refinanced credits as of said dates amounted to S/48,625,000 and S/53,949,000, respectively, of which S/1,731,000 and S/987,000, respectively, are classified as past due but not impaired and S/46,894,000 and S/52,962,000, respectively, as impaired.

Considering the Official Multiple Letters issued by the SBS; see Note 2(a)(ii)(a), the Bank modified the contractual conditions of loans that as of February 29, 2020, were up to date with their payments or presented less than 30 days past due, without said modification resulting in a "refinanced loan". The amount of the rescheduled loans amounted to approximately S/12,663,960,000, which are not deemed as refinanced loans pursuant to said Official Multiple Letters. As of December 31, 2022 and 2021, the balances of rescheduled loans not deemed as "refinanced loans", for the aforementioned concept, amount to approximately S/5,048,978,000 and S/6,266,601,000, respectively.

During the year 2022 and 2021, in consideration of regulations issued by the SBS; see Note 2 (a)(ii)(d), the Bank modified the contractual conditions of loans granted under the "Reactiva Peru" program, without said modification resulting in "refinanced loans". The rescheduled loans amounted to approximately S/133,046,000 and S/2,012,855,000. As of December 31, 2022 and 2021, the balances of rescheduled loans not deemed as "refinanced loans", for the aforementioned concept, amount to approximately S/1,473,770,000 and S/1,974,180,000, respectively.

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Notes to the financial statements (continued)

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

| | 2022 | | | | |
|---------------------------|-----------------------------|---------------------------|---------------------------|---|------------------|
| | Commercial loans S/(000) | Consumer loans S/(000) | Mortgage Loans S/(000) | Small and micro-business loans S/(000) | Total S/(000) |
| Impaired loans | 608,618 | 1,137,010 | 423,576 | 174,262 | 2,343,466 |
| Fair value of collateral | 643,463 | 91,018 | 710,875 | 118,082 | 1,563,438 |
| Provision for loan losses | 322,762 | 725,454 | 230,080 | 65,862 | 1,344,158 |
| | 2021 | | | | |
| | Commercial loans S/(000) | Consumer loans S/(000) | Mortgage loans S/(000) | Small and micro-business loans S/(000) | Total S/(000) |
| Impaired loans | 799,602 | 783,052 | 446,909 | 293,947 | 2,323,510 |
| Fair value of collateral | 773,862 | 102,510 | 778,152 | 241,980 | 1,896,504 |
| Provision for loan losses | 303,234 | 535,167 | 253,218 | 71,937 | 1,163,556 |

(e) Credit risk management for investments

The Bank controls the credit risk of its investments based on the risk assessment of issuers and instruments. In the case of investments abroad, the assessment takes into account the ratings issued by international agencies as well as the country-risk of the issuer's country, which is assessed considering its main macroeconomic variables. Due to the current situation facing the country, protests and social unrest, there are private and public institutions that are not operating at full capacity or many of their operations are paralyzed, causing the Peruvian financial market to face negative impacts related to market issues, interest rates, among others the Bank periodically evaluates the following impairment alerts, to identify in a timely manner an increase in the credit risk of its investments:

- Reduction in any of the credit ratings of the instrument or issuer, by at least two (02) "notches", from the time the instrument was acquired, where a "notch" corresponds to the minimum difference between two risk ratings within the same rating scale.
- Weakening of the financial situation or financial ratios of the issuer and his economic group.
- Violations of "covenants" without waiver from the committee of obligations

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Notes to the financial statements (continued)

The table below presents the risk classification of investments at fair value through profit or loss - trading, available-for-sale and held-to-maturity:

| | 2022 | | 2021 | |
|---|------------------|--------------|-------------------|--------------|
| | S/(000) | % | S/(000) | % |
| Instruments issued and rated in Peru: | | | | |
| AAA | 19,125 | 0.2 | 14,189 | 0.2 |
| AA- to AA+ | 2,944 | - | 3,016 | - |
| | <u>22,069</u> | <u>0.2</u> | <u>17,205</u> | <u>0.2</u> |
| Instruments issued in Peru and rated abroad: | | | | |
| BBB- to BBB+ | 7,663,441 | 80.1 | 8,000,044 | 79.6 |
| BB- to BB+ | 3,698 | - | - | - |
| | <u>7,667,139</u> | <u>80.1</u> | <u>8,000,044</u> | <u>79.6</u> |
| Instruments issued and rated abroad: | | | | |
| AAA | 40,422 | 0.4 | 23,619 | 0.2 |
| A- to A+ | 28,352 | 0.3 | 38,821 | 0.4 |
| BBB- to BBB+ | 42,826 | 0.5 | 63,351 | 0.7 |
| BB- a BB+ | 86,220 | 0.9 | 92,930 | 0.9 |
| | <u>197,820</u> | <u>2.1</u> | <u>218,721</u> | <u>2.2</u> |
| Unrated | | | | |
| Certificates of Deposit with variable interest rate | | | | |
| issued by BCRP | 1,434,836 | 15.0 | 1,440,944 | 14.3 |
| Certificates of Deposit issued by BCRP | 43,868 | 0.5 | 179,207 | 1.8 |
| Shares - | | | | |
| Intercorp Financial Services Inc. | 2,180 | - | 2,559 | - |
| Other | 2,018 | - | 2,112 | - |
| | <u>9,369,930</u> | <u>97.9</u> | <u>9,860,792</u> | <u>98.1</u> |
| Total | | | | |
| Accrued interests | 198,464 | 2.1 | 186,320 | 1.9 |
| | <u>198,464</u> | <u>2.1</u> | <u>186,320</u> | <u>1.9</u> |
| Total | <u>9,568,394</u> | <u>100.0</u> | <u>10,047,112</u> | <u>100.0</u> |

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Notes to the financial statements (continued)

(f) Financial instruments exposed to credit risk -

Concentration of financial instruments exposed to credit risk.

As of December 31, 2022 and 2021, the financial instruments exposed to credit risk were distributed according to the following economic sectors:

| | 2022 | | | | | 2021 | | | | |
|--|---|-------------------------------|--|--------------------------------------|-------------------|---|-------------------------------|--|--------------------------------------|-------------------|
| | Designated at fair value through profit or loss | | | | | Designated at fair value through profit or loss | | | | |
| | Held for trading or hedging S/(000) | Loans and receivables S/(000) | Available-for-sale investments S/(000) | Held-to-maturity investments S/(000) | Total S/(000) | Held for trading or hedging S/(000) | Loans and receivables S/(000) | Available-for-sale investments S/(000) | Held-to-maturity investments S/(000) | Total S/(000) |
| Consumer loans | - | 13,981,065 | - | - | 13,981,065 | - | 11,802,974 | - | - | 11,802,974 |
| Financial services | 396,028 | 11,900,815(**) | 439,455 | - | 12,736,298 | 541,409 | 15,394,858(**) | 674,355 | - | 16,610,622 |
| Mortgage loans | - | 8,987,252 | - | - | 8,987,252 | - | 8,237,948 | - | - | 8,237,948 |
| National Government | 23,342 | - | 5,603,742(*) | 3,216,007 | 8,843,091 | 28,722 | - | 5,850,687(*) | 3,210,043 | 9,089,452 |
| Manufacturing | 11,363 | 4,829,580 | 26,231 | - | 4,867,174 | 28,852 | 4,780,330 | 28,076 | - | 4,837,258 |
| Commerce | 1,120 | 4,559,216 | - | - | 4,560,336 | 5,623 | 5,206,181 | - | - | 5,211,804 |
| Business activity | - | 3,514,324 | - | - | 3,514,324 | - | 3,497,794 | - | - | 3,497,794 |
| Agriculture | 3,133 | 1,848,148 | - | - | 1,851,281 | 8,236 | 1,743,515 | - | - | 1,751,751 |
| Mining | 1,294 | 1,215,406 | - | - | 1,216,700 | 4,502 | 671,154 | - | - | 675,656 |
| Communications, storage and transportation | 1,975 | 964,909 | 2,945 | - | 969,829 | 3,605 | 1,034,968 | 3,016 | - | 1,041,589 |
| Electricity, gas and water | 847 | 910,858 | 58,208 | - | 969,913 | 29,524 | 903,391 | 61,405 | - | 994,320 |
| Leaseholds and real estate activities | 9,133 | 573,299 | - | - | 582,432 | 19,943 | 651,856 | - | - | 671,799 |
| Construction | 4,258 | 410,149 | - | - | 414,407 | 7,332 | 676,519 | - | - | 683,851 |
| Fishing | - | 343,833 | - | - | 343,833 | - | 326,643 | - | - | 326,643 |
| Education, health and other services | 2,583 | 288,071 | - | - | 290,654 | 5,686 | 281,272 | - | - | 286,958 |
| Community services | - | 205,452 | - | - | 205,452 | - | 261,496 | - | - | 261,496 |
| Public administration and defense | - | 80,604 | - | - | 80,604 | - | 118,343 | - | - | 118,343 |
| Other | 10,001 | 40,603 | - | - | 50,604 | 11,724 | 34,428 | - | - | 46,152 |
| Total | 465,077 | 54,653,584 | 6,130,581 | 3,216,007 | 64,465,249 | 695,158 | 55,623,670 | 6,617,539 | 3,210,043 | 66,146,410 |
| Interests | 130 | 359,778 | 126,694 | 71,640 | 558,242 | 232 | 274,129 | 115,233 | 70,856 | 460,450 |
| Total | 465,207 | 55,013,362 | 6,257,275 | 3,287,647 | 65,023,491 | 695,390 | 55,897,799 | 6,732,772 | 3,280,899 | 66,606,860 |

(*) Corresponds to Sovereign Bonds and BCRP Certificates of Deposit and global bonds issued by the United States of America and emerging countries.

(**) Includes available funds deposited in the vaults of the Bank, BCRP, banks abroad and the inter-bank funds.

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Notes to the financial statements (continued)

As of December 31, 2022 and 2021, the financial instruments exposed to credit risk according to geographic area are the following:

| | 2022 | | | | | 2021 | | | | |
|--------------------------|---|-------------------------------|--|--------------------------------------|-------------------|---|-------------------------------|--|--------------------------------------|-------------------|
| | Designated at fair value through profit or loss | | | | | Designated at fair value through profit or loss | | | | |
| | Held for trading or hedging S/(000) | Loans and receivables S/(000) | Available-for-sale investments S/(000) | Held-to-maturity investments S/(000) | Total S/(000) | Held for trading or hedging S/(000) | Loans and receivables S/(000) | Available-for-sale investments S/(000) | Held-to-maturity investments S/(000) | Total S/(000) |
| Peru | 52,694 | 53,714,165 | 5,951,905 | 3,216,007 | 62,934,771 | 216,233 | 53,929,243 | 6,417,767 | 3,210,043 | 63,773,286 |
| United States of America | 220,613 | 547,721 | 36,049 | - | 804,383 | 283,100 | 569,933 | 52,640 | - | 905,673 |
| Germany | - | 175,031 | - | - | 175,031 | - | 258,235 | - | - | 258,235 |
| United Kingdom | 122,386 | 6,153 | - | - | 128,539 | 121,638 | 2,006 | - | - | 123,644 |
| Colombia | - | 1,841 | 86,220 | - | 88,061 | - | 28,437 | 92,930 | - | 121,367 |
| Spain | 34,803 | 32,061 | - | - | 66,864 | 45,085 | 137,920 | - | - | 183,005 |
| Venezuela | - | 38,622 | 1,734 | - | 40,356 | - | 35,396 | 1,812 | - | 37,208 |
| France | 30,881 | 4,485 | - | - | 35,366 | 23,477 | 49 | - | - | 23,526 |
| Chile | - | 23,429 | 9,383 | - | 32,812 | - | 20,808 | 17,882 | - | 38,690 |
| Mexico | - | 7,776 | 18,758 | - | 26,534 | - | 10,285 | 3,954 | - | 14,239 |
| Luxemburgo | - | 24,353 | - | - | 24,353 | - | 2,806 | - | - | 2,806 |
| Argentina | - | 18,657 | - | - | 18,657 | - | - | - | - | - |
| Bermuda | - | - | 17,368 | - | 17,368 | - | - | 19,752 | - | 19,752 |
| Panama | - | 3,531 | 9,008 | - | 12,539 | - | 245,435 | 10,638 | - | 256,073 |
| Brazil | - | 6,545 | - | - | 6,545 | - | 105,251 | - | - | 105,251 |
| Ecuador | - | 4,704 | - | - | 4,704 | - | 56,322 | - | - | 56,322 |
| Cayman Islands | - | - | - | - | - | - | 124,981 | - | - | 124,981 |
| Others | 3,700 | 44,510 | 156 | - | 48,366 | 5,625 | 96,563 | 164 | - | 102,352 |
| Total | 465,077 | 54,653,584 | 6,130,581 | 3,216,007 | 64,465,249 | 695,158 | 55,623,670 | 6,617,539 | 3,210,043 | 66,146,410 |
| Accrued Interest | 130 | 359,778 | 126,694 | 71,640 | 558,242 | 232 | 274,129 | 115,233 | 70,856 | 460,450 |
| Total | 465,207 | 55,013,362 | 6,257,275 | 3,287,647 | 65,023,491 | 695,390 | 55,897,799 | 6,732,772 | 3,280,899 | 66,606,860 |

Notes to the financial statements (continued)

24.2 Market risk -

Market risk is the probability of loss due to variations in financial market conditions. The main variations to which the Bank is exposed to are: exchange rates, interest rates and prices. Said variations can affect the value of the Bank's financial assets and liabilities. On the other hand, it is important to mention that due to the social problems facing the country, added to the negative consequences generated by the Covid-19 pandemic, these market risks are more tends to have more pronounced fluctuations, due to instability in financial markets; in this situation, the Bank has been regularly monitoring these fluctuations in order to quantify the impact of fluctuations in the recovery of its financial assets and liabilities.

The Bank separates exposures to market risk into two blocks: Trading Book, which comprises positions in liquid investments, and Banking Book, which comprises banking assets and liabilities inherent to the intermediation business (mainly deposits and loans) whose exposure to market risk arises from the changes in portfolio structural positions.

(a) Trading Book -

In order to control and monitor the risks arising from the volatility of risk factors involved within each instrument, maximum exposure limits have been established on currency, investment type, Value-at-Risk (VaR), which are controlled on a daily basis. Likewise, reports to the GIR and ALCO committees are submitted regularly.

The main technique used to measure and control market risk is VaR, which is a statistical measurement that quantifies the maximum loss expected for the investment portfolio for a period of time and a determined significance level under normal market conditions. The Bank uses the Monte Carlo VaR model for a period of ten days, which has exponential volatility and a 99-confidence level. The VaR is calculated through each risk factor: interest rate, exchange rate and investment type (derivatives, fixed income and variable income).

VaR models are designed to measure the market risk within a normal market environment. Those models assume that all modifications in risk factors affecting the use of weighted historical data will follow a normal distribution. Said distribution is calculated through the use of weighted historical data in an exponential manner. Given that VaR is based mainly on historical data to provide information and does not clearly predict future changes and modifications in risk factors, the probability of big market movements may be underestimated. VaR can also be under or overestimated due to the hypotheses made on the risk factors and the relation among these factors with the specific instruments. In order to determine the reliability of VaR models, the actual results are regularly monitored to prove the validity of the assumptions and parameters used in the calculation of VaR.

Translation of financial statements originally issued in Spanish - Note 25

Notes to the financial statements (continued)

The Bank includes within the VaR calculation the potential loss that may arise from the exposure to exchange risk. This risk is included in the calculation because the exchange position is the result of the spot position plus the position in derivative products. Likewise, the total VaR includes the diversification effect that arises as result of the interaction of diverse market risk factors to which the Bank is exposed.

The validity of the VaR calculation is proven through a back-testing proof, which uses historical data to ensure that the model adequately estimates the potential losses. Additionally, it is calculated the risk factors sensitivity, which shows the potential portfolio losses in the face of determined fluctuations in factors. Said fluctuations include: interest rate shocks, exchange rate shocks and price shocks.

It is worth mentioning that according to SBS Resolution No.6328-2009 "Regulation on Effective Equity Requirements for Market Risk", the following available-for-sale investments are also included as part of the trading portfolio in the calculation of VaR:

- Debt securities:
 - Sovereign risk exposures of the Republic of Peru on CDBCRP, Sovereign Bonds (excluding VAC Bonds) and Global Bonds.
- Equities:
 - Shares that are listed in the General Index of the Lima Stock Exchange.
 - Participations in open investment collective schemes whose fund is invested in at least 70 percent in equities.

The VaR results of the portfolio by asset type are presented in the table below:

| | 2022 S/(000) | 2021 S/(000) |
|---------------------------------------|-----------------|-----------------|
| Equity investments | - | 580 |
| Debt investments | 139,941 | 145,791 |
| Derivatives | 41,553 | 109,609 |
| Diversification effect | <u>(40,228)</u> | <u>(71,499)</u> |
| Diversification VaR by asset type (*) | <u>141,266</u> | <u>184,481</u> |

Translation of financial statements originally issued in Spanish - Note 25

Notes to the financial statements (continued)

VaR results by risk type are the following:

| | 2022 S/(000) | 2021 S/(000) |
|--------------------------------------|-----------------|-----------------|
| Exchange risk | 6,333 | 2,552 |
| Interest rate risk | 145,488 | 184,543 |
| Capital risk | - | 580 |
| Diversification effect | <u>(10,555)</u> | <u>(3,194)</u> |
| Diversification VaR by risk type (*) | <u>141,266</u> | <u>184,481</u> |

(*) The total VaR is smaller than its components due to the benefits of risk diversification.

(b) Banking Book -

The Bank holds positions that are not actively traded which are part of its assets and liabilities. These positions include all loan placements and funds raised through the Bank's intermediation business, as well as certain investments that are not deemed as trading.

(i) Interest rate risk -

Interest rates fluctuate permanently on the market. These fluctuations affect the Bank in two ways: first, through the change in the valuation of assets and liabilities; and second, affecting the cash flows at repricing. The variation in the valuation of assets and liabilities is increasingly sensitive as the term at which the asset or liability repricing increases. This process consists of the assessment of the repricing periods. On the other side, cash flows are affected when the instruments reach maturity, given that they are invested or placed at the new market interest rates.

The interest rate risk tracking is reported to the GIR, as well as the ALCO. The GIR approves the various limits applicable to the management of financial instruments. The tracking process is performed by the Division of Market Risk.

Repricing gap -

An analysis of the repricing gaps is performed in order to determine the impact of the interest rates movements. Said analysis consists of assigning the balances of the operations that will change the interest rate into different time gaps. The impact of the variation in the valuation of assets and liabilities on each gap is calculated in function of this analysis.

Translation of financial statements originally issued in Spanish - Note 25

Notes to the financial statements (continued)

The following table summarizes the Bank's exposure to interest rate risks. The Bank's financial instruments are presented at book value, classified by the period of the contract's interest rate repricing or maturity date, whichever occurs first:

| | 2022 | | | | | | Total S/(000) |
|---|--------------------------|---|---|---|------------------------------|---------------------------------|-------------------|
| | Up to 1 month S/(000) | More than 1 month to 3 months S/(000) | More than 3 months to 12 months S/(000) | More than 1 year to 5 years S/(000) | More than 5 years S/(000) | Non-interest bearing S/(000) | |
| Assets | | | | | | | |
| Cash and due from banks | 6,962,650 | - | - | - | - | 4,081,391 | 11,044,041 |
| Inter-bank funds | 296,119 | - | - | - | - | - | 296,119 |
| Available-for-sale investments | 610,375 | 1,112,569 | 106,810 | 2,977,188 | 1,446,135 | 4,198 | 6,257,275 |
| Held-to-maturity investments | - | - | 491,301 | 1,110,848 | 1,685,498 | - | 3,287,647 |
| Loan portfolio, net (*) | 4,473,369 | 5,415,615 | 9,150,784 | 18,777,592 | 6,448,100 | (883,912) | 43,381,548 |
| Other assets, net (**) | 229,718 | - | 4,737 | 3,039 | - | 1,713,855 | 1,951,349 |
| Total assets | <u>12,572,231</u> | <u>6,528,184</u> | <u>9,753,632</u> | <u>22,868,667</u> | <u>9,579,733</u> | <u>4,915,532</u> | <u>66,217,979</u> |
| Deposits and obligations | 30,092,576 | 1,356,920 | 4,489,191 | 983,140 | 323,521 | 5,708,665 | 42,954,013 |
| Inter-bank funds | 30,012 | - | - | - | - | - | 30,012 |
| Deposits from financial entities | 458,318 | 22,289 | 5,427 | - | - | 1,190,722 | 1,676,756 |
| Payables from repurchase agreements | 294,011 | 1,210,193 | 909,719 | 2,116,414 | - | - | 4,530,337 |
| Debts and financial obligations | 9,653 | 27,718 | 101,774 | 898,851 | 1,158,261 | - | 2,196,257 |
| Securities, bonds and obligations outstanding (***) | 2,532,813 | - | 224,915 | 3,814,000 | - | - | 6,571,728 |
| Provisions and other liabilities (****) | - | - | 13,156 | - | - | 1,109,745 | 1,122,901 |
| Equity | - | - | - | - | - | 7,079,840 | 7,079,840 |
| Total liabilities and equity | <u>33,417,383</u> | <u>2,617,120</u> | <u>5,744,182</u> | <u>7,812,405</u> | <u>1,481,782</u> | <u>15,088,972</u> | <u>66,161,844</u> |
| Off-balance sheet items: | 3,363,948 | - | - | 648,380 | - | - | 4,012,328 |
| Derivative assets | 1,681,974 | - | - | 324,190 | - | - | 2,006,164 |
| Derivative liabilities | 1,681,974 | - | - | 324,190 | - | - | 2,006,164 |
| Marginal gap | (20,845,152) | 3,911,064 | 4,009,450 | 15,056,262 | 8,097,951 | (10,173,440) | 56,135 |
| Accumulated gap | <u>(20,845,152)</u> | <u>(16,934,088)</u> | <u>(12,924,638)</u> | <u>2,131,624</u> | <u>10,229,575</u> | <u>56,135</u> | <u>-</u> |

(*) The balance presented in the column "Non-interest bearing" corresponds mainly to overdue loans and under judicial collection (including deferred income) and the provision for doubtful loans.

(**) Includes investments in subsidiaries and associates; property, furniture and equipment, net; other assets, net (except for accounts receivable for trading-derived financial instruments); and Income Tax deferred assets, net.

(***) The exchanged bonds are presented according to their original maturity date; see Note 11(e) and 11(f)

(****) Accounts payable for trading derivative financial instruments are not considered.

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Notes to the financial statements (continued)

Investments accounted for at fair value through profit or loss and trading derivatives are not considered, because these instruments are part of the Trading Book, and the VaR methodology is used to measure market risks.

| | 2021 | | | | | | Total S/(000) |
|---|--------------------------|---|---|---|------------------------------|---------------------------------|-------------------|
| | Up to 1 month S/(000) | More than 1 month to 3 months S/(000) | More than 3 months to 12 months S/(000) | More than 1 year to 5 years S/(000) | More than 5 years S/(000) | Non-interest bearing S/(000) | |
| Assets | | | | | | | |
| Cash and due from banks | 10,497,057 | 419,408 | - | - | - | 3,467,120 | 14,383,585 |
| Inter-bank funds | 30,002 | - | - | - | - | - | 30,002 |
| Available-for-sale investments | 689,077 | 1,011,632 | 214,225 | 3,315,676 | 1,497,489 | 4,673 | 6,732,772 |
| Held-to-maturity investments | - | 70,857 | - | 1,589,042 | 1,621,000 | - | 3,280,899 |
| Loan portfolio, net (*) | 2,926,933 | 5,706,064 | 9,352,753 | 18,028,842 | 5,752,078 | (517,727) | 41,248,943 |
| Other assets, net (**) | - | - | - | 343,620 | - | 1,740,392 | 2,084,012 |
| Total assets | 14,143,069 | 7,207,961 | 9,566,978 | 23,277,180 | 8,870,567 | 4,694,458 | 67,760,213 |
| Liabilities and equity | | | | | | | |
| Deposits and obligations | 33,046,031 | 1,812,841 | 2,344,759 | 279,668 | 261,280 | 6,197,878 | 43,942,457 |
| Inter-bank funds | - | - | - | - | - | - | - |
| Deposits from financial entities | 42,091 | 9,170 | 36,000 | - | - | 959,826 | 1,047,087 |
| Payables from repurchase agreements | 163,836 | 661,478 | 1,565,481 | 3,982,621 | - | - | 6,373,416 |
| Debts and financial obligations | 13,756 | 23,713 | 229,851 | 505,957 | 965,975 | - | 1,739,252 |
| Securities, bonds and obligations outstanding (***) | 213,362 | 23,912 | 155,276 | 6,550,072 | - | - | 6,942,622 |
| Provisions and other liabilities (****) | - | - | - | - | - | 851,193 | 851,193 |
| Equity | - | - | - | - | - | 6,802,829 | 6,802,829 |
| Total liabilities and equity | 33,479,076 | 2,531,114 | 4,331,367 | 11,318,318 | 1,227,255 | 14,811,726 | 67,698,856 |
| Off-balance sheet items: | | | | | | | |
| Derivative assets | - | - | - | 1,758,267 | - | - | 1,758,267 |
| Derivative liabilities | - | - | - | 1,758,267 | - | - | 1,758,267 |
| Gap | | | | | | | |
| Marginal gap | (19,336,007) | 4,676,847 | 5,235,611 | 11,958,862 | 7,643,312 | (10,117,268) | 61,357 |
| Accumulated gap | (19,336,007) | (14,659,160) | (9,423,549) | 2,535,313 | 10,178,625 | 61,357 | - |

(*) The balance presented in the column "Non-interest bearing" corresponds mainly to accrued income from loans, overdue loans, loans under judicial collection and the provision for doubtful loans.

(**) Includes investments in subsidiaries and associates; property, furniture and equipment, net; other assets, net (except for accounts receivable for trading-derived financial instruments);, and Income Tax deferred assets, net.

(***) The exchanged bonds are presented according to their original maturity date; see Note 11(f) and 11(g)

(****) Accounts payable for trading derivative financial instruments are not considered.

Investments accounted for at fair value through profit or loss and trading derivatives are not considered, because these instruments are part of the Trading Book, and the VaR methodology is used to measure market risks.

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Notes to the financial statements (continued)

Sensitivity to changes in interest rates -

Following is the sensitivity of both the statement of income and the valuation of the Trading Book to diverse fluctuations in the interest rate. Fluctuations affect the expected cash flows as well as the balances value.

In the case of the statement of income, the calculation reflects the expected variation of the financial margin for a period equivalent to one year. In doing so, it takes into account the current position of income and expenses and annualizes the effect of the interest rates variations. The figures express the expected change in the value of assets minus liabilities for various time gaps. Likewise, it includes the effect of the derivative financial instruments that are subject to interest rates.

The fluctuations in interest rates are applied equally all through the yield curve, which means that it considers a parallel move of the curve. The effects are considered independently for each of the two currencies presented.

The calculations are based on the interest rate risk regulatory model approved by the SBS in force at the date of the statement of financial position. The sensitivities are calculated prior to the Income Tax effect.

The interest rate exposure is overseen by the ALCO, as well as the GIR Committee, the latter being in charge of approving the permitted maximum limits.

The effects due to estimated changes in interest rates as of December 31, 2022 and 2021, are the following:

| Currency | 2022 | | | | |
|------------|-------------------------|------------------------|---------|------------------------|---------|
| | Changes in basis points | Net income sensitivity | | Net equity sensitivity | |
| | | | | S/(000) | |
| US dollars | +/- 25 | + / - | 7,810 | + / - | 25,709 |
| US dollars | +/- 50 | + / - | 15,620 | + / - | 51,419 |
| US dollars | +/- 75 | + / - | 23,430 | + / - | 77,128 |
| US dollars | +/- 100 | + / - | 31,239 | + / - | 102,837 |
| Soles | +/- 50 | - / + | 40,539 | - / + | 109,252 |
| Soles | +/- 75 | - / + | 60,809 | - / + | 163,879 |
| Soles | +/- 100 | - / + | 81,079 | - / + | 218,505 |
| Soles | +/- 150 | - / + | 121,618 | - / + | 327,757 |
| Currency | 2021 | | | | |
| | Changes in basis points | Net income sensitivity | | Net equity sensitivity | |
| | | | | S/(000) | |
| US dollars | +/- 25 | + / - | 8,483 | + / - | 30,644 |
| US dollars | +/- 50 | + / - | 16,966 | + / - | 61,287 |
| US dollars | +/- 75 | + / - | 25,450 | + / - | 91,931 |
| US dollars | +/- 100 | + / - | 33,933 | + / - | 122,574 |
| Soles | +/- 50 | - / + | 20,849 | - / + | 73,604 |
| Soles | +/- 75 | - / + | 31,274 | - / + | 110,406 |
| Soles | +/- 100 | - / + | 41,698 | - / + | 147,208 |
| Soles | +/- 150 | - / + | 62,547 | - / + | 220,811 |

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Notes to the financial statements (continued)

Sensitivity to price variations -

Following are the sensitivities for shares, in which case, prices depend in less extent on the interest rate.

| Market price sensitivity | Changes in market prices % | 2022 S/(000) | 2021 S/(000) |
|--------------------------|----------------------------------|-----------------|-----------------|
| Common shares | +/-10 | 420 | 467 |
| Common shares | +/-25 | 1,050 | 1,168 |
| Common shares | +/-30 | 1,259 | 1,401 |

(ii) Foreign exchange risk -

The exchange rate risk is related to the variation of the positions both on and off the statement of financial position that may be negatively affected by exchange rates movements. Management sets limits to the exposure levels by currency, and monitors them daily. Most assets and liabilities designated in foreign currency are held in US dollars.

Transactions in foreign currency are accounted for by using the exchange rates prevailing on the market.

As of December 31, 2022, the weighted market exchange rate published by the SBS for transactions in US dollars was S/3.808 per US\$1 bid and S/3.820 per US\$1 ask (S/3.975 and S/3.998 as of December 31, 2021, respectively). As of December 31, 2022, the exchange rate for the accounting of asset and liability accounts in foreign currency set by the SBS was S/3.814 per US\$1 (S/3.987 as of December 31, 2021).

Translation of financial statements originally issued in Spanish - Note 25

Notes to the financial statements (continued)

The table below presents the detail of the Bank's currency position as of December 31, 2022 and 2021:

| | 2022 | | | | 2021 | | | |
|--|-----------------------|-------------------|-----------------------------|-------------------|-----------------------|-------------------|-----------------------------|-------------------|
| | US Dollars S/(000) | Soles S/(000) | Other currencies S/(000) | Total S/(000) | US Dollars S/(000) | Soles S/(000) | Other currencies S/(000) | Total S/(000) |
| Assets | | | | | | | | |
| Cash and due from bank | 8,388,515 | 2,100,488 | 555,038 | 11,044,041 | 8,023,472 | 5,759,648 | 600,465 | 14,383,585 |
| Inter-bank funds | - | 296,119 | - | 296,119 | - | 30,002 | - | 30,002 |
| Investments at fair value through profit or loss - trading | 23,472 | - | - | 23,472 | 29,700 | 3,741 | - | 33,441 |
| Available-for-sale investments, net | 998,735 | 5,258,540 | - | 6,257,275 | 1,292,148 | 5,440,624 | - | 6,732,772 |
| Held-to-maturity investments | - | 3,287,647 | - | 3,287,647 | - | 3,280,899 | - | 3,280,899 |
| Loan portfolio, net | 11,477,218 | 31,904,330 | - | 43,381,548 | 10,124,602 | 31,124,341 | - | 41,248,943 |
| Other assets, net | 198,394 | 534,607 | 388 | 733,389 | 131,518 | 765,011 | 689 | 897,218 |
| | <u>21,086,334</u> | <u>43,381,731</u> | <u>555,426</u> | <u>65,023,491</u> | <u>19,601,440</u> | <u>46,404,266</u> | <u>601,154</u> | <u>66,606,860</u> |
| liabilities | | | | | | | | |
| Deposits and obligations | 15,136,676 | 27,337,680 | 479,657 | 42,954,013 | 15,938,576 | 27,515,138 | 488,743 | 43,942,457 |
| Inter-bank funds | - | 30,012 | - | 30,012 | - | - | - | - |
| Deposits from financial entities | 111,666 | 1,565,090 | - | 1,676,756 | 86,200 | 960,887 | - | 1,047,087 |
| Payables for repurchase agreements | - | 4,530,337 | - | 4,530,337 | - | 6,373,416 | - | 6,373,416 |
| Debts and financial obligations | 545,988 | 1,650,269 | - | 2,196,257 | 362,859 | 1,376,393 | - | 1,739,252 |
| Securities, bonds and obligations outstanding | 5,922,522 | 649,206 | - | 6,571,728 | 6,169,584 | 773,038 | - | 6,942,622 |
| Other liabilities | 250,454 | 950,049 | 859 | 1,201,362 | 206,003 | 924,814 | 1,621 | 1,132,438 |
| | <u>21,967,306</u> | <u>36,712,643</u> | <u>480,516</u> | <u>59,160,465</u> | <u>22,763,222</u> | <u>37,923,686</u> | <u>490,364</u> | <u>61,177,272</u> |
| Forward position, net | (1,993,217) | 2,074,784 | (81,567) | - | (378,778) | 464,885 | (86,107) | - |
| Currency swaps position, net | 3,166,174 | (3,166,174) | - | - | 3,694,625 | (3,694,625) | - | - |
| Options position, net | (44,300) | 44,300 | - | - | (1,816) | 1,816 | - | - |
| Net monetary position | <u>247,685</u> | <u>5,621,998</u> | <u>(6,657)</u> | <u>5,863,026</u> | <u>152,249</u> | <u>5,252,656</u> | <u>24,683</u> | <u>5,429,588</u> |

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Notes to the financial statements (continued)

As of December 31, 2022, the Bank granted indirect loans (contingent operations) in foreign currency for approximately US\$612,939,000, equivalent to S/2,337,749,000 (US\$644,659,000, equivalent to S/2,570,256,000 as of December 31, 2021); see Note 15.

The Bank manages the exchange rate risk through the matching of its asset and liability operations, overseeing the global exchange position on a daily basis. The Bank's global exchange position is equivalent to the result of long positions minus short positions in currencies different to the Sol. The global exchange position includes the spot positions and also the derivative positions.

Following are the sensibilities for the case of the US dollar variations. Given its volume, the position in US dollars is the sole exposure that could cause the Bank a material loss. The negative variations represent potential losses, while the positive ones represent potential gains.

| Sensitivity analysis | Changes | 2022 | 2021 |
|----------------------|------------------------|----------|----------|
| | in currency rates % | S/(000) | S/(000) |
| Revaluation | | | |
| US dollar | 5 | 12,384 | 7,613 |
| US dollar | 10 | 24,769 | 15,225 |
| Devaluation (*) | | | |
| US dollar | 5 | (12,384) | (7,613) |
| US dollar | 10 | (24,769) | (15,225) |

(*) Management does not estimate a devaluation of the US dollar in relation to the sol in the following years.

24.3 Liquidity risk -

The liquidity risk consists of the Bank's inability to comply with the maturity of its obligations, thus incurring into losses that importantly affect its equity position. This risk may arise as result of diverse events such as: the unexpected decrease of funding sources, the inability to rapidly settle assets, among others.

Given the social problems facing the country and the economic havoc that is still observed in the country as a result of the Covid-19 pandemic, the Bank has focused its efforts on maintaining correct liquidity levels, during the year it has been very active in fundraising through reporting operations, see note 2(f) and has managed to capture better deposit levels, these actions have allowed it to maintain correct levels of liquidity to face with its operations.

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Notes to the financial statements (continued)

The Bank takes short-term deposits and transforms them into longer-term loans. Therefore, their exposure to liquidity risk increases. The Bank keeps a set of deposits that historically are renewed or maintained, and which represent a stable funding source.

The Bank's liquidity is managed by the Vice-Presidency of Capital Market, which leads the ALCO - where positions, movements, indicators and limits on liquidity management are presented. Liquidity risk is itself overseen by the GIR Committee - where the risk level that the Bank is willing to take is defined, and the corresponding indicators, limits and controls are reviewed.

The Bank has a set of indicators which are controlled and reported daily. Said indicators establish the minimum liquidity levels allowed for the short-term and reflex several risk aspects such as: concentration, stability, position by currency, main depositors, etc. The Market Risk Division is in charge of tracking said indicators.

Likewise, the Bank assesses the medium-term and long-term liquidity through a structural analysis of its funds' inflows and outflows on diverse maturity terms. This process allows it to know, for each currency, the diverse funding sources, how liquidity needs increase, and which terms are mismatched. Both for assets and liabilities, there are considered assumptions for the operations that do not have determined maturity dates. Said products include: revolving loans, savings and others similar. There are also included the estimated obligations arising from contingent liabilities. On the basis of this information, the necessary decisions to maintain the targeted liquidity levels are taken.

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Notes to the financial statements (continued)

| | 2022 | | | | | |
|---|-----------------------------|----------------------------------|-----------------------------------|---------------------------------|----------------------------|-------------------|
| | Up to 1 month S/(000) | From 1 to 3 months S/(000) | From 3 to 12 months S/(000) | From 1 to 5 years S/(000) | Over 5 years S/(000) | Total S/(000) |
| Financial liabilities by type - | | | | | | |
| Deposits and obligations | 35,057,731 | 1,520,917 | 4,972,847 | 1,455,260 | 421,440 | 43,428,195 |
| Inter-bank funds | 30,012 | - | - | - | - | 30,012 |
| Deposits from financial entities | 1,650,252 | 22,290 | 8,958 | - | - | 1,681,500 |
| Payables from repurchase agreements | 364,076 | 734,795 | 1,794,523 | 1,719,551 | - | 4,612,945 |
| Debts and financial obligations | 20,414 | 48,562 | 184,233 | 1,255,273 | 1,591,843 | 3,100,325 |
| Securities, bonds and obligations outstanding | 2,057,900 | - | 334,005 | 4,474,571 | 187,303 | 7,053,779 |
| Provisions and other liabilities | 798,534 | 12,465 | 96,264 | 86,518 | 207,581 | 1,201,362 |
| Total non-derivate liabilities | 39,978,919 | 2,339,029 | 7,390,830 | 8,991,173 | 2,408,167 | 61,108,118 |
| Derivatives - | | | | | | |
| Contractual amounts receivable (inflow) | 2,296,305 | 714,581 | 2,073,250 | 1,186,828 | 344,267 | 6,615,231 |
| Contractual amounts payable (outflow) | 2,083,573 | 573,150 | 2,068,950 | 1,405,032 | 354,758 | 6,485,463 |
| Total | 4,379,878 | 1,287,731 | 4,142,200 | 2,591,860 | 699,025 | 13,100,694 |
| | 2021 | | | | | |
| | Up to 1 month S/(000) | From 1 to 3 months S/(000) | From 3 to 12 months S/(000) | From 1 to 5 years S/(000) | Over 5 years S/(000) | Total S/(000) |
| Financial liabilities by type - | | | | | | |
| Deposits and obligations | 38,381,884 | 1,894,109 | 2,374,154 | 1,153,224 | 356,896 | 44,160,267 |
| Inter-bank funds | - | - | - | - | - | - |
| Deposits from financial entities | 1,001,918 | 9,177 | 36,221 | - | - | 1,047,316 |
| Payables from repurchase agreements | 230,884 | 404,447 | 2,335,162 | 3,585,119 | - | 6,555,612 |
| Debts and financial obligations | 90,886 | 26,905 | 314,691 | 788,478 | 1,233,202 | 2,454,162 |
| Securities, bonds and obligations outstanding | 70,429 | 42,419 | 328,369 | 7,124,963 | 178,249 | 7,744,429 |
| Provisions and other liabilities | 444,301 | 110,373 | 143,659 | 302,606 | 131,499 | 1,132,438 |
| Total non-derivate liabilities | 40,220,302 | 2,487,430 | 5,532,256 | 12,954,390 | 1,899,846 | 63,094,224 |
| Derivatives - | | | | | | |
| Contractual amounts receivable (inflow) | 968,607 | 926,361 | 1,812,054 | 3,662,099 | 289,991 | 7,659,112 |
| Contractual amounts payable (outflow) | (884,076) | (999,058) | (1,762,637) | (3,568,405) | (302,650) | (7,516,826) |
| Total | 84,531 | (72,697) | 49,417 | 93,694 | (12,659) | 142,286 |

Translation of financial statements originally issued in Spanish - Note 25

Notes to the financial statements (continued)

The table below shows the contractual maturity of the contingent loans granted by the Bank as of the date of the statement of financial position:

| | 2022 | | | | | Total S/(000) |
|-----------------------------------|-----------------------------|----------------------------------|-----------------------------------|---------------------------------|----------------------------|------------------|
| | Up to 1 month S/(000) | From 1 to 3 months S/(000) | From 3 to 12 months S/(000) | From 1 to 5 years S/(000) | Over 5 years S/(000) | |
| Contingent loans (indirect loans) | 705,311 | 1,363,487 | 2,093,772 | 380,540 | - | 4,543,110 |

| | 2021 | | | | | Total S/(000) |
|-----------------------------------|-----------------------------|----------------------------------|-----------------------------------|---------------------------------|----------------------------|------------------|
| | Up to 1 month S/(000) | From 1 to 3 months S/(000) | From 3 to 12 months S/(000) | From 1 to 5 years S/(000) | Over 5 years S/(000) | |
| Contingent loans (indirect loans) | 1,032,315 | 1,308,864 | 2,082,547 | 161,985 | - | 4,585,711 |

The Bank expects that not all of the contingent loans will be drawn before expiration of the commitments.

The following table shows the changes in liabilities from financing activities as stated by IAS 7:

| | 2022 | | | | | Balance as of December 31 S/(000) |
|---|---------------------------------------|---|----------------------|--|------------------|---|
| | Balance as of January 1 S/(000) | Distribution of dividends S/(000) | Cash flow S/(000) | Movement in foreign currency S/(000) | Other S/(000) | |
| Inter-bank funds | - | - | 30,482 | (470) | - | 30,012 |
| Payables from repurchase agreements | 6,373,416 | - | (1,843,079) | - | - | 4,530,337 |
| Debts and financial obligations | 1,739,252 | - | 475,982 | (23,261) | 4,284 | 2,196,257 |
| Securities, bonds and obligations outstanding | 6,942,622 | - | (137,900) | (229,127) | (3,867) | 6,571,728 |
| Dividends payable | 173 | 600,238 | (600,238) | - | 20 | 193 |
| Total liabilities for financing activities | 15,055,463 | 600,238 | (2,074,753) | (252,858) | 437 | 13,328,527 |

| | 2021 | | | | | Balance as of December 31 S/(000) |
|---|---------------------------------------|---|----------------------|--|------------------|---|
| | Balance as of January 1 S/(000) | Distribution of dividends S/(000) | Cash flow S/(000) | Movement in foreign currency S/(000) | Other S/(000) | |
| Inter-bank funds | 28,971 | - | (28,971) | - | - | - |
| Payables from repurchase agreements | 7,775,776 | - | (1,410,061) | 7,701 | - | 6,373,416 |
| Debts and financial obligations | 1,583,380 | - | 79,443 | 75,375 | 1,054 | 1,739,252 |
| Securities, bonds and obligations outstanding | 6,498,845 | - | (110,000) | 547,222 | 6,555 | 6,942,622 |
| Dividends payable | 173 | - | - | - | - | 173 |
| Total liabilities for financing activities | 15,887,145 | - | (1,469,589) | 630,298 | 7,609 | 15,055,463 |

Translation of financial statements originally issued in Spanish - Note 25

Notes to the financial statements (continued)

24.4 Capital management -

As of December 31, 2022 and 2021, the Bank has complied with the mandates of Legislative Decree No. 1028 and SBS Resolutions No. 2115-2009, No. 6328-2009, No. 14354-2009 and their amendments, which contain the Regulations on Effective Equity Requirements for Operational Risk, Market Risk and Credit Risk, respectively, and amendments. These regulations mainly establish the methodologies to be used by the financial entities to calculate the requirement of regulatory capital.

24.5 Fair value -

- (a) Fair value is the amount at which an asset can be exchanged between duly informed buyer and seller, or the amount at which a liability can be settled between duly informed debtor and lender, under the terms of a free competition transaction.

Fair value is a market-based measurement, therefore a financial instrument traded in a real transaction in a liquid and active market has a price that supports its fair value. When the price for a financial instrument is not observable, the fair value should be measured using another valuation technique, seeking to maximize the use of relevant observable variables and minimize the use of unobservable variables.

To calculate the fair value of an instrument that is not listed on liquid markets, the market value of an instrument that is actively listed in the market and which has similar characteristics can be used or can be obtained by some analytical technique, such as analysis of discounted flows or valuation by multiples.

The methodologies and assumptions used to determine fair values depend on the terms and risk characteristics of the various financial instruments as it is shown below:

- (i) Financial instruments recorded at fair value - The fair value is based on market prices or some other methods of financial valuation. The positions valued at market prices are mainly investments traded on centralized mechanisms. The positions valued by some method of financial valuation include derivative financial instruments and instruments that may not have market prices in which case their fair value is mainly determined by using the market interest rate curves and the price vector provided by the SBS.
- (ii) Instruments whose fair value is similar to their book value - For the financial assets and liabilities that are liquid or have short-term maturities (less than three months), it is considered that the book value is similar to the fair value. This assumption is also applicable to term deposits, savings accounts without a specific maturity and variable-rate financial instruments.
- (iii) Financial instruments at fixed rate - The fair value of the financial liabilities at fixed rate and at amortized cost is determined by comparing the market interest rate at the moment of their initial recognition to the current market rates related to similar financial instruments. In the case of quoted issued debt, the fair value is determined on the basis of the quoted market prices. The fair value of the loan portfolio and deposits and obligations, according to SBS Official Multiple Letter No.1575-2014, corresponds to the book value.

Translation of financial statements originally issued in Spanish - Note 25

Notes to the financial statements (continued)

(b) Financial instruments measured at fair value and fair value hierarchy

The following table presents an analysis of the financial instruments that are measured at fair value as of December 31, 2022 and 2021, including the level of the fair value hierarchy.

The amounts are based on the balances presented in the statements of financial situation:

| | 2022 | | | | 2021 | | | |
|---------------------------------------|--------------------|--------------------|--------------------|------------------|--------------------|--------------------|--------------------|------------------|
| | Level 1 S/(000) | Level 2 S/(000) | Level 3 S/(000) | Total S/(000) | Level 1 S/(000) | Level 2 S/(000) | Level 3 S/(000) | Total S/(000) |
| Financial assets | | | | | | | | |
| Securities | 23,472 | - | - | 23,472 | 33,441 | - | - | 33,441 |
| Available-for-sale investments | | | | | | | | |
| Debt instruments | 4,625,610 | 1,500,773 | - | 6,126,383 | 4,975,513 | 1,637,355 | - | 6,612,868 |
| Shares | | | | | | | | |
| Intercorp Financial Services Inc. | 2,180 | - | - | 2,180 | 2,559 | - | - | 2,559 |
| Other | 128 | - | 1,890 | 2,018 | 137 | - | 1,975 | 2,112 |
| Derivatives receivable | - | 441,735 | - | 441,735 | - | 661,949 | - | 661,949 |
| | <u>4,651,390</u> | <u>1,942,508</u> | <u>1,890</u> | <u>6,595,788</u> | <u>5,011,650</u> | <u>2,299,304</u> | <u>1,975</u> | <u>7,312,929</u> |
| Accrued interest | | | | 126,694 | | | | 115,233 |
| Total financial assets | | | | <u>6,722,482</u> | | | | <u>7,428,162</u> |
| Financial liabilities | | | | | | | | |
| Derivatives payable | - | 297,004 | - | 297,004 | - | 413,126 | - | 413,126 |
| Total financial liabilities | <u>-</u> | <u>297,004</u> | <u>-</u> | <u>297,004</u> | <u>-</u> | <u>413,126</u> | <u>-</u> | <u>413,126</u> |

All assets and liabilities for which the fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, as described below, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices on active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

During 2022 and 2021, there were no transfers of financial instruments from Level 3 to Level 1 or to Level 2.

Translation of financial statements originally issued in Spanish - Note 25

Notes to the financial statements (continued)

(c) Financial instruments not measured at fair value

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

| | 2022 | | | | | 2021 | | | | |
|---|--------------------|--------------------|--------------------|--------------------------|--------------------------|--------------------|--------------------|--------------------|--------------------------|--------------------------|
| | Level 1 S/(000) | Level 2 S/(000) | Level 3 S/(000) | Fair value S/(000) | Book value S/(000) | Level 1 S/(000) | Level 2 S/(000) | Level 3 S/(000) | Fair value S/(000) | Book value S/(000) |
| Assets | | | | | | | | | | |
| Cash and due from banks | - | 11,044,041 | - | 11,044,041 | 11,044,041 | - | 14,383,585 | - | 14,383,585 | 14,383,585 |
| Inter-bank funds | - | 296,119 | - | 296,119 | 296,119 | - | 30,002 | - | 30,002 | 30,002 |
| Held-to-maturity investments | 2,949,507 | - | - | 2,949,507 | 3,287,647 | 3,181,392 | - | - | 3,181,392 | 3,280,899 |
| Loan portfolio, net | - | 43,381,548 | - | 43,381,548 | 43,381,548 | - | 41,248,943 | - | 41,248,943 | 41,248,943 |
| Other assets, net | - | 291,654 | - | 291,654 | 291,654 | - | 235,269 | - | 235,269 | 235,269 |
| Total | 2,949,507 | 55,013,362 | - | 57,962,869 | 58,301,009 | 3,181,392 | 55,897,799 | - | 59,079,191 | 59,178,698 |
| Liabilities | | | | | | | | | | |
| Deposits and obligations | - | 42,954,013 | - | 42,954,013 | 42,954,013 | - | 43,942,457 | - | 43,942,457 | 43,942,457 |
| Inter-bank funds | - | 30,012 | - | 30,012 | 30,012 | - | - | - | - | - |
| Deposits from financial entities | - | 1,676,756 | - | 1,676,756 | 1,676,756 | - | 1,047,087 | - | 1,047,087 | 1,047,087 |
| Payables from repurchase agreements | - | 4,293,483 | - | 4,293,483 | 4,530,337 | - | 6,125,311 | - | 6,125,311 | 6,373,416 |
| Debts and financial obligations | - | 2,192,923 | - | 2,192,923 | 2,196,257 | - | 1,739,186 | - | 1,739,186 | 1,739,252 |
| Securities, bonds and obligations outstanding | 5,484,947 | 771,959 | - | 6,256,906 | 6,571,728 | 6,098,680 | 964,850 | - | 7,063,530 | 6,942,622 |
| Provisions and other liabilities | - | 904,358 | - | 904,358 | 904,358 | - | 719,312 | - | 719,312 | 719,312 |
| Total | 5,484,947 | 52,823,504 | - | 58,308,451 | 58,863,461 | 6,098,680 | 54,538,203 | - | 60,636,883 | 60,764,146 |

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

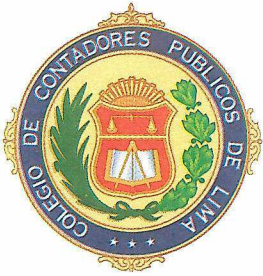
- (i) Assets for which fair values approximate their carrying value - For financial assets and financial liabilities that are liquid or have short term maturity (less than three months) it is assumed that the carrying amounts approximate their fair values. This assumption is also applied to demand deposits, savings accounts without specific maturity and variable rate financial instruments.
- (ii) Financial instruments at fixed rate - The fair value of the financial assets and financial liabilities at fixed rate and at amortized cost is determined by comparing the market interest rate at the moment of their initial recognition to the current market rates related to similar financial instruments. In the case of listed debt, the fair value is determined on the basis of the quoted market prices. When quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity. The fair value of the loan portfolio and deposits and obligations, according to SBS Official Multiple Letter No. 1575-2014, corresponds to its book value.

Translation of financial statements originally issued in Spanish - Note 25

Notes to the financial statements (continued)

25. Additional explanation for English translation

The accompanying financial statements are presented based on the generally accepted accounting principles in Peru for financial entities. Certain accounting practices applied by the Bank, that conform to generally accepted accounting principles in Peru for financial entities, may differ in certain significant respects from generally accepted accounting principles in other countries. In the event of any discrepancy, the Spanish-language version prevails.



COLEGIO DE CONTADORES PÚBLICOS DE LIMA

CONSTANCIA DE HABILITACIÓN

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

**TANAKA VALDIVIA & ASOCIADOS SOCIEDAD CIVIL
DE RESPONSABILIDAD LIMITADA
SOCIEDAD: S0761**

Se encuentra, HABIL, para el ejercicio de las funciones profesionales que le faculta la Ley N° 13253 y su modificación Ley N° 28951 y conforme al Estatuto y Reglamento Interno de este Colegio; en fe de lo cual y a solicitud de parte, se le extiende la presente constancia para los efectos y usos que estime conveniente. Esta constancia tiene vigencia hasta el 31 de MARZO del 2023.

Lima, 09 de AGOSTO de 2022.

CPC. Rafael Enrique Velásquez Soriano
DECANO



CPC. David Eduardo Bautista Izquierdo
DIRECTOR SECRETARIO