Banco de la Nación

Financial Statements

December 31, 2022 and 2021

(including Independent Auditors' Report)

(TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN SPANISH)

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(TRANSLATION OF A REPORT ORIGINALLY ISSUED IN SPANISH)

INDEPENDENT AUDITORS' REPORT

To the Directors
Banco de la Nación

Opinion

We have audited the accompanying financial statements of Banco de la Nación (hereinafter "the Bank"), which comprise the statement of financial position as of December 31, 2022, and the income statement, the statements of other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements referred to above present fairly, in all material respects, the Bank's financial position as of December 31, 2022, and its financial performance and its cash flows for the year then ended, in accordance with accounting standards established for financial institutions in Peru by the Banking, Insurance and Private Pension Plan Agency (Superintendencia de Banca, Seguros y AFP – SBS).

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing approved for their application in Peru by the Dean's Council of the Peruvian Professional Associations of Public Accountants. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Peru, together with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements, respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the 2022 period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters.

Evaluation of the provision for wholesale loan losses under SBS Resolution 11356-2008 (note 7)	
Key audit matter	**Auditor's response**
As of December 31, 2022, the direct loans and the provision for direct loan losses amount to S/ 9,813,948 thousand and S/ 518,581 thousand, respectively. The Bank recognizes a provision for direct loan losses as established by the SBS through SBS Resolution 11356-2008. It determines the measurement of such provision based on the borrower's credit risk rating, considering certain factors—e.g., borrower's ability to meet its payment obligations, cash flows, level of compliance with its payment obligations, ratings assigned by other financial institutions, financial position and quality of the entity's management. We have identified the evaluation of the provision for the direct loan portfolio as a key audit issue, since the Bank must comply with the requirements of the SBS for the evaluation and determination of the classification of each debtor, which will determine the amount of the provision to be recorded in the financial statements.	Our audit procedures to evaluate the provision for direct loan losses include: ▪ The assumption of a financial process related to the provision for direct loan losses in accordance with the SBS regulations through the measurement and recognition of the provision for direct loan losses related to the compliance with the regulatory requirements. ▪ The review of the Bank's relevant internal controls—e.g., approval of the loan's credit risk rating and monitoring of the behavior of the provision of loan losses. ▪ The review of a sample of files from the direct loans to verify that the rating assigned to the borrowers complies with the provisions established by the SBS. ▪ The remeasurement of the provision for direct loan losses as of December 31, 2022 over the total loan portfolio in accordance with SBS Resolution 11356-2008. ▪ The review of the movement in the provision for direct loan losses as of December 31, 2022. ▪ Lastly, we evaluated whether the information included in the notes to the financial statements is adequate in accordance with the criteria set forth in the SBS Accounting Manual.

Other Matters

The Bank's financial statements as of and for the year ended December 31, 2021 were audited by other auditors. The auditors' report, dated April 08, 2022, expressed an unqualified opinion on these financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. The 2022 annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express an opinion, a conclusion, or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bank's ability to continue as a going concern; to disclose, as applicable, matters related to going concern; and to use the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. They are considered material if they could, individually or in the aggregate, influence the economic decisions that users make on the basis of the financial statements.

As part of an audit in accordance with the International Standards on Auditing approved for their application in Peru by the Dean's Council of the Peruvian Professional Associations of Public Accountants, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements, including the disclosures.

- Conclude on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies or material weaknesses in internal control that we identify during our audit.

Also, we provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with The Bank's governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Lima, Peru,

April 17, 2023

Countersigned by:

Caipo y Asociados

Eduardo Alejos (Partner)
Peruvian CPA Registration 29180

Banco de la Nación

Financial Statements

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(Translation of Financial Statements originally issued in Spanish)

Banco de la Nación
Statement of Financial Position
As of December 31, 2022 and 2021

In thousands of soles	**Note**	**2022**	**2021**
Assets			
Cash and cash equivalents	*5*		
Cash		1,805,516	2,209,389
Deposits in the Central Reserve			
Bank of Peru		23,044,522	26,093,099
Deposits in foreign banks		220,090	155,524
Deposits in other banks in the country		112,223	123,818
Clearing		14,654	8,888
Other available funds		1494	4,841
Available-for-sale investments	*6*	4,570,661	7,098,960
Held-to-maturity investments	*6(g)*	5,699,275	2,457,739
Loan portfolio, net	*7*	9,360,002	7,313,357
Accounts receivable, net	*8*	346,024	332,766
Property, furniture and equipment, net	*9*	646,236	598,628
Deferred income tax assets, net	*15*	98,675	112,395
Other assets, net	*10*	674,420	768,730
Total assets		**46,593,792**	**47,278,134**
Contingent risks and commitments	*17*	4,590,061	3,906,836

In thousands of soles	**Note**	**2022**	**2021**
Liabilities			
Obligations with the public	*11*	42,788,489	44,118,449
Deposits with financial institutions and			
International financial institution	*12*	473,390	382,107
Outstanding instruments and liabilities	*13*	251,655	251,666
Accounts payable	*14*	558,928	462,707
Other liabilities	*10*	488,404	475,608
Total liabilities		**44,560,866**	**45,690,537**
Equity	*16*		
Share capital		1,596,169	1,427,533
Additional capital		1,898	1,898
Legal reserve		558,659	420,000
Unrealized gains and losses		(1,000,666)	(633,969)
Retained earnings		876,866	372,135
Total equity		**2,032,926**	**1,587,597**
Total equity and liabilities		**46,593,792**	**47,278,134**
Contingent risks and commitments	*17*	4,590,061	3,906,836

The accompanying notes on pages 6 to 87 are an integral part of these financial statements.

(Translation of Financial Statements originally issued in Spanish)

Banco de la Nación
Statement of Income and Other Comprehensive Income
For the years ended December 31, 2022 and 2021

In thousands of soles	***Note***	**2022**	**2021**
Interest income	*18*	2,163,048	1,285,837
Interest expenses	*18*	(63,939)	(62,865)
Gross financial margin		**2,099,109**	**1,222,972**
Provision for doubtful accounts receivable, net of recoveries	*7(e)*	(84,585)	(43,476)
Net financial margin		**2,014,524**	**1,179,496**
Revenue from financial services	*19*	777,165	701,786
Financial service expenses	*19*	(391,996)	(359,345)
Finance margin net of income and expenses for financial services		**2,399,693**	**1,521,937**
Result from financial transactions	*20*	66,851	82,676
Operating margin		**2,466,544**	**1,604,613**
Administrative expenses	*21*	(1,117,491)	(1,038,090)
Depreciation and amortization	*9 & 10*	(74,792)	(67,017)
Net operating margin		**1,274,261**	**499,506**
Valuation of assets and provisions	*22*	(207,180)	(49,491)
Operating income		**1,067,081**	**450,015**
Other income (expenses), net	*23*	23,487	(2,835)
Profit before tax		**1,090,568**	**447,180**
Income tax	*24(c)*	(203,983)	(92,710)
Net profit		**886,585**	**354,470**
Other comprehensive income			
Net gain on available-for-sale investments	*16(c)*	(367,585)	(727,185)
Deferred income tax	*15*	888	1,509
Total other comprehensive income, net Income tax		**(366,697)**	**(725,676)**
Total other comprehensive income		**519,888**	**(371,206)**

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(Translation of Financial Statements originally issued in Spanish)

Banco de la Nación
Statement of Changes in Equity
For the years ended December 31, 2022 and 2021

In thousands of soles	**Share capital (note 16.A)**	**Additional capital (note 16.A)**	**Legal reserve (note 16.B)**	**Unrealized gains and losses (note 16.C)**	**Accumulated earnings (note 16.D)**	**Total**
Balance as of January 1, 2021	1,200,000	1,461	420,000	91,707	660,810	2,373,978
Net profit	-	-	-	-	354,470	354,470
Other comprehensive income	-	-	-	(725,676)	-	(725,676)
Total comprehensive income	**-**	**-**	**-**	**(725,676)**	**354,470**	**(371,206)**
Adjustments from prior years	-	-	-	-	11,921	11,921
Capitalization of profits	227,533	-	-	-	(227,533)	-
Profit distribution to the Treasury	-	-	-	-	(427,533)	(427,533)
Others	-	437	-	-	-	437
Balance as of December 31, 2021	**1,427,533**	**1,898**	**420,000**	**(633,969)**	**372,135**	**1,587,597**
Balance as of January 1, 2022	1,427,533	1,898	420,000	(633,969)	372,135	1,587,597
Net profit	-	-	-	-	886,585	886,585
Other comprehensive income	-	-	-	(366,697)	-	(366,697)
Total comprehensive income	**-**	**-**	**-**	**(366,697)**	**886,585**	**519,888**
Adjustments from prior years	-	-	-	-	(44,582)	(44,582)
Capitalization of profits	168,636	-	-	-	(168,636)	-
Transfer to legal reserve	-	-	138,659	-	(138,659)	-
Profit distribution to the Treasury	-	-	-	-	(29,977)	(29,977)
Balance as of December 31, 2022	**1,596,169**	**1,898**	**558,659**	**(1,000,666)**	**876,866**	**2,032,926**

The accompanying notes on pages 6 to 87 are an integral part of these financial statements.

(Translation of Financial Statements originally issued in Spanish)

Banco de la Nación
Statement of Cash Flows
For the years ended December 31, 2022 and 2021

In thousands of soles	***Note***	**2022**	**2021**
Cash flows from operating activities			
Net profit		886,585	354,470
Adjustments to reconcile net profit to net cash flows from operating activities			
Depreciation and amortization	*9 & 10*	74,792	67,017
Provision for doubtful accounts receivable, net of recoveries	*7(e)*	84,585	43,476
Loss allowance for accounts receivable	*22*	14,694	18,289
Provision for direct loan losses	*22*	6,719	1,897
Provision for litigations and demands	*22*	186,801	29,161
Deferred tax	*15*	14,608	11,953
Net loss (gain) on available-for-sale investments	*20*	37,555	(7,689)
Accrued interest on subordinated bonds	*18*	19,988	19,989
Investments at FVTPL	*18*	-	(200)
Profit (loss) on sale of foreclosed properties	*23*	-	(473)
Others		-	(440)
Changes in assets and liabilities accounts			
(Decrease) increase in loan portfolio		(2,131,230)	688,475
(Decrease) increase in accounts receivable		(27,953)	6,645
Increase in other assets, net		248,624	169,538
(Decrease) increase in obligations to the public		(1,329,960)	4,448,723
Increase (decrease) in deposits with financial institutions and international financial institutions		91,283	(294,952)
Increase (decrease) in accounts payable		79,345	(49,375)
Increase (decrease) in other liabilities, net		(180,721)	(420,153)
Adjustments to equity		(44,582)	11,921
(Loss) Profit after net changes in assets, liabilities and adjustments		**(1,968,867)**	**5,098,272**
Income tax		(123,878)	(147,129)
Cash flows from operating activities, net		**(2,092,745)**	**4,951,143**

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(Translation of Financial Statements originally issued in Spanish)

Banco de la Nación
Statement of Cash Flows
For the years ended December 31, 2022 and 2021

In thousands of soles	**Note**	**2022**	**2021**
Cash flows from investing activities			
Purchase of investments		(1,118,376)	(1,730,497)
Purchase of property, plant and equipment	*9*	(100,903)	(35,772)
Purchase of intangible assets	*10*	(31,712)	(19,778)
Cash flows from investing activities, net		**(1,250,991)**	**(1,786,047)**
Cash flows from financing activities			
Profit distribution to the Treasury	*16(d)*	(29,977)	(427,533)
Cash paid for interest on subordinated bonds		(20,000)	(20,000)
Cash flows from financing activities, net		**(49,977)**	**(447,533)**
Net increase (decrease) in cash and cash equivalents		(3,393,713)	2,717,563
Opening balance		**28,590,718**	**25,873,155**
Closing balance		**25,197,005**	**28,590,718**
Non-cash flow transactions			
Capitalization of profits	*16(d)*	168,636	227,533
Established legal reserve	*16(d)*	138,659	-
Reclassification of available-for-sale investments to Maturity	*6(iv)*	3,042,173	-

The accompanying notes on pages 6 to 87 are an integral part of these financial statements.

1. Identification and Business Activity

A. Identification

Banco de la Nación (hereinafter "the Bank") was created by Law 16000 of January 27, 1966, as a public law corporation within the Economy and Finance Sector, which operates with economic, financial and administrative autonomy in the exercise of its functions. The Bank has its own patrimony and indeterminate duration.

Its Law of creation was updated by Legislative Decree 199 - Organic Law of the Banco de la Nación, issued on June 12, 1981, through which it was assigned certain functions and powers on an exclusive basis; however, when Decree Law 25907 was issued on November 27, 1992, the Bank's exclusivity with respect to such functions and powers was annulled.

Subsequently, Supreme Decree No. 07-94-EF was issued on January 26, 1994, whereby: (i) repealing Legislative Decree 199, and (ii) approving the Bank's Bylaws, the same which has been successively amended by different legal norms, the latter being Supreme Decree 189-2016-EF dated July 4, 2016.

As of December 31, 2022, the Bank is governed by its own Bylaws and amendments, by Legislative Decree 1031 that Promotes the Efficiency of the State Entrepreneurial Activity and, supplementarily, by Law 26702 - General Law of the Financial System and the Insurance System and Organic Law of the Superintendence of Banking, Insurance and Private Pension Fund Administrators (hereinafter "SBS").

The Bank's main office is located at Av. Javier Prado Este 2499, San Borja, Lima, Peru. As of December 31, 2022, the Bank operates through one main office and a network of 571 offices in Peru (one main office and a network of 574 offices as of December 31, 2021).

B. Business activity

The Bank provides services to state entities, promotes bankarization and financial inclusion for the benefit of citizens, complementing the private sector, and promotes the decentralized growth of the country through an efficient and self-sustainable management; likewise, the Bank is empowered to perform the functions indicated below, none of which shall be exercised exclusively with respect to the companies and entities of the financial system:

- To provide banking services for the National Treasury System, in accordance with the instructions issued by the National Directorate of the Public Treasury.

- To provide collection services on behalf of the tax creditor, with the Bank's approval and a specific collection agreement.

- To carry out, by delegation, the operations pertaining to the bank sub-accounts of the Public Treasury.

- Receive the resources and funds administered by Central Government agencies, Regional and Local Governments, as well as other National Public Sector Entities.

- Act on behalf of other banks or financial institutions in the channeling of internal or external resources to entities receiving credit.

- Participate in the foreign trade operations of the State. In this case, the Bank acts providing banking services and currency exchange, subject to the regulations that the Bank may issue.

- Receive on consignment and custody all administrative and judicial deposits.

- To provide banking services as correspondent of financial system entities in the localities where the financial system entities request it.

- Receive demand deposits from individuals and legal entities for payments that, as suppliers, pensioners, as well as government workers, they receive within the framework of the National Treasury System.

- Receive demand or savings deposits from individuals and/or legal entities for the payments they receive as workers, pensioners or suppliers of the State, within the framework of the National Treasury System; likewise, receive time deposits from these workers and open accounts for compensation of time of service for the workers of Banco de la Nación.

- Likewise, to open basic accounts for natural persons throughout the national territory, in accordance with the applicable regulations and within the framework of the objectives of the National Financial Inclusion Policy (PNIF).

- Receive savings deposits, as well as in custody in favor of individuals and/or legal entities and carry out other banking operations and financial services, in which the use of the means of payment provided for in Article 5 of the Unified Text of the Law for the Fight against Evasion and for the Formalization of the Economy, approved by Supreme Decree 150-2007- EF, is required, in the populated centers of the territory of the Republic where private banks do not have offices.

Grant credits, financial leases and any other financial facility, as well as constitute or manage trusts, in favor of National Government agencies, Regional and Local Governments and other entities or companies of the Public Sector, as well as provide deposit, payment and bank transfer operations in favor of the Deposit Insurance Fund and the Cooperative Deposit Insurance Fund. Likewise, to issue, acquire, keep and sell bonds and other securities, in accordance with the Law. The issuance of securities subject to securities market regulations shall be made in accordance with an annual program approved by the General Directorate of the Public Treasury of the MEF, which may be reviewed on a quarterly basis.

To carry out with entities of the Public Sector, as well as with banking and financial institutions in the country or abroad, the banking operations and services necessary to comply with the functions indicated in its Bylaws, as well as those aimed at the profitability and risk hedging of the resources it manages. These operations will be carried out in accordance with an annual program approved by the MEF, which may be reviewed quarterly.

To grant a single line of credit to workers and pensioners of the Public Sector who, because of their income, have savings accounts in the Bank. This credit line may be assigned to the beneficiary for use through loans and/or as a credit card line. These operations will be made in accordance with an annual program approved by the MEF, which may be revised annually.

Issue electronic money, as established in Law 29985, Law that regulates the basic characteristics of electronic money as an instrument of financial inclusion; its Regulations and amending rules.

Issue bank drafts and make transfers of funds on behalf of or in favor of clients or users.

C. COVID-19 pandemic

Since March 2020, the World Health Organization declared Covid-19 a pandemic, which resulted in travel restrictions and trade slowdowns. In this regard, the Peruvian Government declared since that month, the state of health emergency and National State of Emergency throughout the territory of Peru, which is in force until the date of this report, taking a series of measures such as the closure of Peruvian borders, mandatory social isolation, closure of businesses considered non-essential, among other measures related to the health care and welfare of citizens; whose negative effects on the economy of Peru were significant in the year 2020.

As of May 2020, the Peruvian Government approved the plan for the resumption of economic activities in a gradual and progressive manner within the framework of the sanitary emergency declaration faced by the country due to Covid-19; this plan consisted of four phases for its implementation, whose beginning of each of these phases was under constant evaluation following the recommendations of the Health Sanitary Authority.

During the last months of 2020, in order to continue containing and mitigating the spread of Covid-19, the Peruvian Government issued a series of Supreme Decrees, extending the State of Health Emergency and National State of Emergency, defining alert levels: moderate, high, very high and extreme; which are granted to each of the regions of Peru, based on an evaluation made by the Ministry of Health, with a series of restrictions that vary according to the level of each region. However, at the end of 2020 and during the first months of 2021, the country experienced a new chain of very high contagions, which was called the "second wave". This new chain of contagion caused some of the phases of the economic recovery already implemented to gradually recede.

In February 2021, after the Peruvian Government concluded its negotiations with different foreign laboratories for the acquisition of vaccines, the distribution of doses to face Covid-19 in the country began. The vaccination scheme was carried out according to age groups, since not all citizens were exposed to the same level of risk of infection. The vaccination process was developed throughout 2021 and at the end of October 2021 the protocol for the application of the booster dose was established.

Although the vaccination process was advancing at an accelerated pace as part of the plan designed to face a possible "third wave", it finally began formally in Peru at the beginning of 2022. As a measure to protect the health of citizens, the Peruvian Government issued a series of Supreme Decrees extending the State of Sanitary Emergency and State of National Emergency until the end of May 2023. Supreme Decree 003-2023-SA extends the State of Sanitary Emergency for a period of 90 days as from February 25, 2023.

The sanitary emergency has caused economic damages to individuals and legal entities that maintain direct and indirect credits in the Peruvian financial system, for which the Ministry of Economy and Finance (MEF), the Central Reserve Bank of Peru (BCRP) and the SBS, established extraordinary measures to cushion the negative impact produced by Covid-19 and guarantee the continuity of the payment chain in the financial system.

The main measures in the financial system are related to credit rescheduling facilities (deferred payments), the suspension of the counting of days in arrears, and the launching of government-guaranteed credit programs.

The Bank's Management is closely monitoring the current context and is focusing on the following measures that it considers fundamental for the continuity of the Bank's operations:

- As a State-owned bank, it operates as a channeling agent of State funds destined to the granting of monetary subsidies provided by the State as part of its policies established to face the Covid-19 pandemic.
- Increased collection of obligations from the public and deposits from financial institutions.
- Monitoring of supplier operations related to cash supply.
- Implementation of apps and internet banking for customer service.
- Implementation of Covid-19 protocols and sanitary vigil.
- Implementation of new protocols for business continuity under current circumstances.
- Development of technological tools and reinforcement of IT and cybersecurity systems for the remote work of some of the Bank's employees.

In management's opinion, these and other additional measures implemented by the Bank have allowed and will allow the Bank to adequately face the negative effects of the Covid-19 pandemic.

D. Approval of the financial statements
The financial statements as of December 31, 2022 and for the year then ended have been approved by the Bank's management on April 10, 2023 and will be submitted for the approval of the Board of Directors at such time as management may determine. In management's opinion, the accompanying financial statements will be approved by the Board of Directors without modification. The financial statements as of December 31, 2021 and for the year then ended were approved by the Board of Directors at its meeting held on April 12, 2022.

2. Basis of Preparation of the Financial Statements
Significant accounting policies used in the preparation of the financial statements are disclosed below. These policies have been applied consistently to all years presented, unless otherwise indicated.

A. Statement of compliance
The financial statements have been prepared based on the Bank's accounting records and are presented in accordance with the accounting standards for financial institutions in Peru established by the SBS. In the event of circumstances not covered by those accounting standards, the International Financial Reporting Standards (IFRS), made official in Peru by the Peruvian Accounting Board (CNC, for its Spanish acronym), are applied. The accounting standards include standards and interpretations issued or adopted by the International Accounting Standards Board (IASB), including IFRSs, International Accounting Standards (IAS), and IFRIC and SIC Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), or previously issued by the Standard Interpretations Committee (SIC), adopted by the IASB and made official in Peru by the CNC.

B. Basis of measurement
The financial statements have been prepared from accounting records maintained by the Bank in accordance with the historical cost convention, except for available-for-sale investments which are recognized at fair value and held-to-maturity investments which are measured at amortized cost.

C. Functional and presentation currency
The financial statements are presented in *soles*, in accordance with the SBS regulations, which is the Bank's functional and presentation currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

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

The accounting estimates and judgments used are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively, and the effects are recorded in the statement of income and other comprehensive income accounts as of the year in which the revision is made.

The most significant judgments and estimates in the preparation of the Bank's financial statements are as follows:

- Allowance for loan losses on the loan portfolio.
- Allowance for other accounts receivable.
- Determination of the fair value of available-for-sale investments.
- Evaluation of impairment of available-for-sale and held-to-maturity investments.
- Provision for retirement pensions and employee welfare benefits.
- Estimation of the useful life and recoverable value of property, furniture and equipment and intangible assets.
- Evaluation of the recovery of the deferred income tax asset and the current income tax provision.

3. Accounting Principles and Practices
In preparing the financial statements, the Bank applied significant accounting policies. These policies have been applied consistently from one period to another, unless otherwise indicated. They include the following:

A. Financial instruments

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

A financial instrument is recognized on its origination and classified as asset, liability, or equity according to the contract that gave rise to the financial instrument. Interest, gains and losses relating to a financial instrument classified as an asset or a liability are recognized as income or expense in the statement of profit or loss. Payments to holders of financial instruments are recorded directly in equity.

ii. Classification financial instruments
The Bank determines the classification of financial instruments at the time of initial recognition and on an instrument-by-instrument basis as defined in SBS Resolution 7033-2012 "Regulations for the Classification and Valuation of Investments of Financial System Companies": (i) financial assets and liabilities measured at FVTPL, (ii) loans and accounts receivable, (iii) available-for-sale investments, (iv) held to maturity investments, and (v) other financial liabilities.

At initial recognition, the Bank classifies financial instruments on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. At initial recognition, a financial instrument is measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instrument, except for financial assets or liabilities measured at FVTPL.

A purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned (i.e., regular way purchase or sale) is recognized on the trade date.

iii. Derecognition of financial assets and liabilities

Financial assets
A financial asset or, when applicable, part of a financial asset or part of a group of similar financial assets is derecognized when: (i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) the Bank transfers the contractual rights to receive the cash flows from the financial asset, or assumes a contractual obligation to pay the cash flows to a third party in a pass through arrangement; and (iii) the Bank transfers substantially all risks and rewards of ownership of the financial asset, or the Bank neither transfers nor retains substantially all risks and rewards of ownership of the financial asset, but transfers control of the financial asset.

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

iv. Impairment of financial assets
The Bank evaluates at the end of each period the objective existence of impairment of an asset or a group of financial assets; and, the corresponding impairment provisions are evaluated and recorded by the Bank in accordance with SBS standards.

A financial asset (or group of assets) is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event has an impact on the estimated future cash flows of the financial asset (or group of assets) that can be estimated reliably. Evidence that a financial asset is credit-impaired include observable data about the following events: significant financial difficulty of the issuer or the borrower; a breach of contract, such as a default or delinquency in interest or principal payments; it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or observable data indicating that there is a measurable decrease in the estimated future cash flows, including adverse changes in the payment status of borrowers in the group or economic conditions that correlate with defaults on the assets in the group.

v. Offsetting financial instruments
A financial asset and a financial liability shall be offset and the net amount is presented in the statement of financial position when the Bank currently has a legally enforceable right to set off the recognized amounts, and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

B. Loans, classification and provisions
A direct loan is recognized when funds are disbursed to customers. Indirect credits (contingent) are recorded when the documents supporting such credit facilities are issued and could become direct credits in the event a payment is made to third parties. Also, refinancing or restructuring is considered to be any direct credit in which there are changes in the term of the contract due to difficulties in the debtor's ability to pay.

The Risk Management permanently evaluates and classifies the loan portfolio, assigning each debtor the corresponding credit risk category in accordance with the guidelines established by the SBS in Resolution SBS 11356-2008 and its amendments.

Loans classification
The Bank classifies the borrowers in its loan portfolio as: Non-retail (corporate loans and loans to medium-sized businesses) and as retail (loans to small businesses, loans to microenterprises, revolving consumer loans, non-revolving consumer loans and home mortgage loans). These classifications take into consideration the nature of the client (corporate, government or individuals), the purpose of the credit, the size of the business as measured by income, indebtedness, among other qualitative and quantitative indicators. Credit risk classification categories The credit risk classification categories established by the SBS are as follows: Normal, With Potential Problems, Deficient, Doubtful and Loss, which are assigned in accordance with the guidelines established in SBS Resolution No. 11356-2008 and its amendments.

For the Non-Retail Portfolio, the Bank takes into account mainly the debtor's payment capacity, its cash flow, the degree of compliance with its obligations, the classifications assigned by the other companies of the Financial System, the financial situation and the quality of the company's management. For the Retail Portfolio, the classification is determined mainly taking into account its payment capacity measured in terms of its degree of compliance with the payment of its credits reflected in the number of days in arrears, and in its classification in the other companies of the financial system, in case of application of the alignment.

Allowance for doubtful accounts
Based on current regulations issued by the SBS, the Bank determines generic and specific provisions for the loan portfolio. The generic provision is that which is constituted on a preventive basis for debtors classified in the Normal category, which is calculated on their direct loans, the exposure equivalent to the credit risk of indirect loans, and additionally a procyclical component is considered when this is activated by the SBS. is activated by the SBS. The specific provision is that which is constituted in relation to direct loans and the exposure equivalent to the credit risk of indirect loans of debtors identified as having a higher than normal risk.

The exposure equivalent to credit risk of indirect credits is determined on the basis of indirect credits multiplied by the different types of Credit Conversion Factors (CCF) detailed below:

	Description	CCF (%)
(a)	Confirmations of irrevocable letters of credit up to one year, when the issuing bank is a tier 1 foreign financial institution.	20
(b)	Issuances of letters of guarantee backing obligations to do or not to do.	50
(c)	Issuances of collaterals, import letters of credit, and letters of guarantee not included in ii), and confirmations of letters of credit not included in i), as well as banker's acceptance.	100
(d)	Undisbursed loans granted and unused credit facilities.	-
(e)	Other indirect loans not included in the prior paragraphs.	100

The provision requirements are determined considering the borrower's credit risk rating, whether the loan is backed by a collateral, and type of collateral.

The Bank applies the following percentages to determine the allowances for loan portfolio:

	Without warranty	With preferred warranties	With very fast realization preferred guarantees	With preferred self-liquidating guarantees
Standard:				
Corporate loans	0.70%	0.70%	0.70%	0.70%
Large-business loans	0.70%	0.70%	0.70%	0.70%
Medium-business loans	1.00%	1.00%	1.00%	1.00%
Small-business loans	1.00%	1.00%	1.00%	1.00%
Micro-business loans	1.00%	1.00%	1.00%	1.00%
Consumer loans (*)	1.00%	1.00%	1.00%	1.00%
Mortgage loans	0.70%	0.70%	0.70%	0.70%
With potential problems	5.00%	2.50%	1.25%	1.00%
Substandard	25.00%	12.50%	6.25%	1.00%
Doubtful	60.00%	30.00%	15.00%	1.00%
Loss	100.00%	60.00%	30.00%	1.00%

(*) Includes revolving and non-revolving consumer loans.

The provision is measured considering the borrower's risk rating and using specific percentages, which vary depending upon whether a loan is guaranteed by self-liquidating preferred collaterals (cash deposits and letter-of-credit rights), by easily convertible preferred collaterals (debt instruments issued by the central government, securities listed within the Selective Index of the Lima Stock Exchange, among others), or by preferred collaterals (first pledge of financial instruments or personal and real property, first pledge of agricultural or mining concessions, export credit insurance, among others). The guarantees received are considered at their net realizable value as determined by independent appraisers. Likewise, the provision is measured considering the guarantor's rating where loans have secondary liability of a financial institution or insurance company (loans subject to borrower substitution).

This Resolution requires financial institutions to establish a risk management system for over-indebtedness to minimize the risk before and after granting a loan, monitor permanently the loan portfolio to identify over-indebted borrowers and evaluate periodically the internal controls used and the corrective actions or improvements required, as necessary. Companies that do not comply with the provisions of the SBS must, for provisioning purposes, calculate the equivalent exposure to credit risk by applying a factor of twenty percent (20%) to the unused amount of revolving MES, small business and revolving consumer credit lines. The allowance rates determined in the Debtor Classification Regulation will be applicable to such credit risk equivalent exposure.

C. Investments

The Bank applies the criteria for recording and valuation of investments in securities established in SBS Resolution 7033-2012 "Regulations for the Classification and Valuation of Investments of Financial System Companies" as amended. The Bank presents investments classified in the following categories and applies the following criteria:

i. Available-for-sale investments

Available-for-sale investments are all instruments not classified as investments at FVTPL, held to maturity investments, and investments in subsidiaries and associates. Likewise, all instruments shall be included in this category as required by the SBS.

At initial recognition, the Bank measures these investments at fair value on the trade date, without any deduction for transaction costs—i.e., incremental costs that are directly attributable to the acquisition of the asset. After initial recognition, the Bank measured investments at fair value, recognizing any gains or losses in equity as unrealized gains until the asset is sold or realized, transferring the gains or losses to profit or loss.

In the case of debt instruments, prior to measurement at fair value, the amortized cost must be restated by applying the effective interest rate methodology and, based on the amortized cost obtained, gains and losses from changes in fair value must be recognized.

If an available-for-sale investment is credit-impaired, the cumulative loss (difference between the acquisition cost, net of any repayment and amortization, and the current fair value, less any impairment loss previously recognized in the statement of profit or loss) is reclassified from equity to profit or loss. Impairment of unquoted shares is the difference between the carrying amount and the present value of future cash flows discounted using the prevailing market rates of interest for a similar instrument.

Until September 30, 2018, SBS Resolution 7033-2012 established a standard methodology for the identification of impairment of instruments classified as available-for-sale investments, which contemplated two filters; the first contained two conditions: (i) a significant decline in fair value to below fifty percent (50%) of cost or (ii) a prolonged decline in fair value consecutively during the last 12 months, and the cumulative decline in fair value in that period is at least twenty percent (20%); if either of these two conditions were met, it was evaluated whether these conditions were justified in at least two of the qualitative aspects of the issuer indicated in the second filter of said resolution.

Impairment of debt instruments

- A weakening of financial position of the issuer and its economic group.
- A credit rating downgrade for the instrument or issuer.
- The disappearance of an active market for that financial asset because of financial difficulties of the issuer.
- The observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets.
- A decline in the fair value due to changes in the laws.
- A significant decline (of 40%) in the fair value of the instrument below its amortized cost.
- A prolonged decline in the fair value of the instrument having been sustained for at least 12 months, and cumulative decline (of 20%) in the fair value over that period.

Impairment of equity instruments

- A credit rating downgrade for the instrument.
- A significant adverse change in the regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations.
- Weakening in financial position or financial ratios of the issuer and its economic group.
- The disappearance of an active market for that financial asset because of financial difficulties of the issuer.
- The observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets.
- A decline in the fair value due to changes in the laws.

A financial asset is credit-impaired when there is objective evidence of impairment as a result of one or more events that occurred.

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

Interest revenue from available-for-sale investments is recognized using the effective interest method over the asset's useful life. The premiums and discounts on the acquisition date are included in the calculation of the effective interest rate. Dividends are recognized in profit or loss when the Bank's right to receive payment of the dividend is established.

ii. Held-to-maturity investments

Comprises debt securities acquired with the intention of holding them to maturity and are initially recorded at fair value including direct costs attributable to the transaction. These investments are subsequently measured at amortized cost using the effective interest rate method, less impairment if applicable.

Likewise, a financial entity may classify investments in this category only if it has the financial capacity to maintain the investment instrument until maturity. This evaluation must also be carried out at the close of each year.

A transaction is recognized using trade date accounting. The trade date is the date that an entity commits itself to purchase or sell an asset.

Interest is recognized using the effective interest rate methodology, which incorporates both the interest to be collected and the amortization of the premium or discount on acquisition.

Any difference between the revenue from disposal of an investment and the investment's carrying amount is recognized in the separate statement of profit or loss.

D. Property, furniture and equipment

An item of property, plant and equipment is measured at cost, less any accumulated depreciation and any accumulated impairment losses. Major inspection or overhaul costs are recognized in profit or loss. The upgrades and improvements are capitalized when

i) it is probable that future economic benefits associated with the item will flow to the entity; and ii) the cost of the item can be measured reliably. Cost and accumulated depreciation of disposed of or sold assets are eliminated from their respective accounts, and any resulting gain or loss is recognized in profit or loss when the asset is disposed of or sold.

Units to be received and work in progress are recorded at cost and represent facilities, furniture and equipment to be received or under construction. This includes the cost of acquisition or construction and other direct costs. These assets are not depreciated until the relevant assets are received or completed and are operational.

Land is not depreciated. Depreciation is calculated on a straight-line basis using the following estimated useful lives:

	Years
Buildings and other constructions	33
Improvements to leased properties and facilities	5
Property, plant and equipment	10
IT equipment	4
Vehicles	5

Cost and accumulated depreciation of disposed of or sold assets are eliminated from their respective accounts, and any resulting gain or loss is recognized in profit or loss when the asset is disposed of or sold.

The depreciation method, residual value, useful life of an asset are reviewed at the end of each reporting period in order to ensure that expectations do not differ from previous estimates and that there has not been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset.

Banks are not allowed to apply the revaluation model, the cost model being the only accepted subsequent recognition model. The Bank cannot pledge its fixed assets as collateral, except for those assets acquired in finance leases.

E. Intangible assets
An intangible asset, presented in 'other assets' in the separate statement of financial position, is measured at cost, less any accumulated amortization and any accumulated impairment losses. The intangible assets with finite useful lives comprise the development and acquisition of software licenses used in the Bank's activities.

The depreciable amount of an intangible asset with a finite useful life shall be allocated on a systematic basis over its useful life (4 years). It should be noted that, in accordance with SBS Resolution 1967-2010, an intangible asset with a finite useful life is amortized within a maximum period of five years.

As of December 31, 2022 and 2021, the Bank does not have intangible assets with indefinite useful lives.

F. Outstanding instruments and liabilities
Liabilities for the issuance of outstanding securities, bonds and debentures are recorded at amortized cost, and accrued interest is recognized in income for the year. When applicable, the discounts granted or the revenue from the placement of the instruments are deferred and presented net of issue value. Also, the depreciable amount of the outstanding instruments and liabilities is allocated over their useful life using the effective interest method.

G. Income tax
The current tax is calculated based on the taxable profit determined using criteria that differ from the accounting principles used by the Bank.

Likewise, the Bank recognized the deferred tax considering the requirements of IAS 12 *Income Taxes*. Deferred tax assets and liabilities are recognized for all (deductible and taxable) temporary differences—i.e., differences between the carrying amount of an asset or liability in the statement of financial position and its tax base. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. The measurement of deferred assets and liabilities reflects the tax consequences of the manner in which it is expected, at the date of the statement of financial position, to recover or settle the value of the assets and liabilities.

A deferred tax asset and liability is measured without considering the period in which the temporary differences are expected to reverse. A deferred assets are recognized when it is probable that sufficient future taxable profit will be available against which the deferred asset can be utilized.

At the date of the statement of financial position, management evaluates unrecognized deferred assets and the balance of recognized deferred assets; recording a previously unrecognized deferred asset to the extent that it is probable that future taxable profits will allow its recoverability or reducing a deferred asset to the extent that it is not probable that sufficient future taxable profits will be available to allow part or all of the deferred asset recognized for accounting purposes to be utilized.

Under IAS 12, the Bank measures deferred tax assets and liabilities at the tax rate applicable to undistributed profits. The Bank recognize the income tax consequences of dividends when it recognizes a liability to pay a dividend.

H. Trust funds

Assets and income from fiduciary transactions where there is a commitment to return such assets to customers and where the Bank acts in a fiduciary capacity are not included in the financial statements because the assets are not owned by the Bank, but are recorded for fiduciary control in memorandum accounts; and, fees for these activities are included in income from financial services and are recorded as earned.

I. Retirement pension

The provision for retirement pensions includes mainly the pension obligations of the Pension System of Decree Law 20530. In accordance with IAS 19 "Employee Benefits", the provision for retirement pensions constitutes a Defined Benefit Plan, in which the Bank's obligation is to provide the benefits agreed by Decree Law No. 20530 and complementary rules. In the defined benefit plan, the actuarial risk is assumed by the Bank and supported by its assets and operations. Based on the life expectancy of the beneficiaries of this plan, Management estimates that the amount of this obligation will decrease progressively in the long term.

The provision for the retirement reserve fund for active and retired personnel is recorded in accordance with the provisions of Supreme Decree No. 043-2003-EF published on March 28, 2003, which indicates that Peruvian state-owned companies will be governed by the rules contained in Supreme Decree 026-2013-EF and, where applicable, by Accounting Resolution 159- 2003-EF/93. 01 published on March 12, 2003, which approved Instruction 20-2003-EF/93.01; which was repealed by Directorial Resolution 014-2016- EF/51.01 of the General Directorate of Public Accounting. Also, by Communiqué 002- 2017-EF/51.01 of the General Directorate of Public Accounting of the MEF, which establishes the accounting procedure for the recording and control of pension reserves, non-pension reserves and reserves for contingencies.

The Bank records the result of the actuarial calculations for pension reserves as a liability in its entirety. The total amount of pension obligations is adjusted by the amounts obtained in future actuarial calculations in relation to the previous actuarial calculation and the variation is applied directly to the results of the corresponding period.

The actuarial calculation of pension obligations is performed annually by a qualified actuary of the Planning, Statistics and Rationalization Unit of the Pension Standardization Office (hereinafter "ONP"), using the ONP's technical guide approved by Head Resolution 002-2018-Jefatura/ONP. The pension value determined according to the actuarial calculation is measured at the present value of all future pension payments using a discount rate of 5.00 percent as of December 31, 2022 and 4. 67 percent at 2021, or annual technical interest rate -TITA, applied to soles for the actuarial commutation of the mortality tables for a medium and long-term horizon; which is set in the Technical Guide and the basis for the same is found in a supporting study to the report 021-2020- OPG.EE/ONP (Report 031-2019-OPG.EE/ONP as of December 31, 2019), in which the Technical Guide is presented. The determination of the rate is based on long-term liabilities and not on asset return methods; accordingly, the interest rate is equivalent to the long-term rate of the relevant yield curve for the Peruvian case.

J. Provision and contingencies

i. Provisions
A provision is recognized when the Bank has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the best estimate at the reporting date.

Severance payment is calculated, according to applicable laws, on the total employees' reimbursement rights. Such benefit is paid in May and November annually through deposits in authorized financial institutions designated by the employees. The provision is measured based on the amount payable on the reporting date and the benefit is included in 'provision for fringe benefits.' It is presented in 'other liabilities' in the statement of financial position.

ii. Contingent assets and liabilities
A contingent liability is not recognized in the financial statements, but it is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the financial statements, but it is disclosed where an inflow of resources embodying economic benefits is probable.

K. Income and expense recognition
Interest revenue and expense are recognized in profit or loss on an accrual basis, depending on the term of the expense and revenue generating transactions and the interest rate agreed upon with the customers. Bank service fees are recognized as income when received.

In accordance with SBS Resolution 7036-2012, revenue from indirect loans is recognized on an accrual basis over the term of the indirect loans. The fees and expenses incurred in formalizing loans and in opening, testing and assessing direct and indirect loans are recognized as revenue on an accrual basis over the agreement term.

When management determines that there is significant doubt upon the borrower's ability to meet the payments of principal of a loan, the Bank does not recognize interest in profit or loss and recognizes it as suspended interest in a suspense account in profit or loss when charged. When management determines that the borrower's financial position has improved so that there is no significant doubt upon its ability to meet the payments of principal, interest is recognized on an accrual basis again.

Interest income includes yields on fixed-income investments classified as investments at FVTPL and available-for-sale, as well as the recognition of discount and premium on financial instruments.

The fees and expenses incurred in formalizing loans and in opening, testing and evaluating direct and indirect loans are recognized as revenue on an accrual basis over the agreement term.

Other income and expenses are recognized as earned or incurred when they are accrued.

L. Cash and cash equivalents

This caption corresponds to available funds of the separate statement of financial position, including short-term (less than three months) deposits, time deposits in the BCRP, funds deposited in central banks and overnight deposits, excluding accrued interest and restricted funds recognized in 'other cash and cash equivalents.'

M. New accounting pronouncements

i. New accounting pronouncements issued but not yet adopted

A number of new standards, amendments and interpretations have been issued by the IASB and are effective for annual periods beginning on or after January 1, 2023. However, the Bank did not apply the new accounting pronouncements in preparing the financial statements since it does not plan to early adopt those standards. Those standards and amendments to IFRSs that might be relevant to the Bank are disclosed below.

Amendments to IFRSs	**Mandatory application**
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	Annual periods beginning on or after January 1, 2023. Early adoption is permitted.
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	Annual periods beginning on or after January 1, 2023. Early adoption is permitted.
Definition of a Business (Amendments to IFRS 8)	Annual periods beginning on or after January 1, 2023. Early adoption is permitted. The Company shall apply the amendments to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the first annual reporting period in which it applies the amendments.
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	Annual periods beginning on or after January 1, 2023. Early adoption is permitted.
Initial Application of IFRS 17 and IFRS 9—Comparative Information (Amendment to IFRS 17)	The Amendment is applicable from the application of IFRS 17 *Insurance Contracts.*
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	Annual periods beginning on or after January 1, 2024. Early adoption is permitted.
Non-current Liabilities with Covenants (Amendments to IAS 1)	Annual periods beginning on or after January 1, 2024.

ii. Resolutions and standards issued by the CNC and the SMV concerning the approval and adoption of IFRSs in Peru

At the reporting date, the CNC through:

- Resolution 003-2022-EF/30, dated November 24, 2022, approved the technical requirements for the application of IFRSs.

- Resolution 002-2022-EF/30, dated September 16, 2022, approved the 2022 edition of IFRSs, and the Conceptual Framework for Financial Reporting.

The standards and interpretations disclosed in i) and ii) shall only be applicable to the Bank in addition to the SBS regulations whenever there are circumstances not covered by the Accounting Manual (note 2.A). Management did not determine the effects of such standards on the preparation of the financial statements since they have not been applied by the SBS.

iii. Current requirements issued by the IASB effective January 1, 2022

- *Cost of Fulfilling a Contract (Amendments to IAS 37).*
- *Annual Improvements to IFRS Standards 2018-2020.Proceeds before Intended Use (Amendments to IAS 16).*
- *Reference to the Conceptual Framework (Amendments to IFRS 3).*

iv. Current requirements issued by the IASB effective January 1, 2019

Clarifications on the application of IFRS 16 "Leases"
By means of Official Letter 467-2019-SBS dated January 7, 2019, the Superintendency specified that IFRS 16 Leases will not be applicable to supervised companies until the corresponding provisions are established; therefore, supervised companies will continue to apply IAS 17 *Leases*.

IFRIC 23 Uncertainty over Income Tax Treatments
The Bank has applied IFRIC 23 "*Uncertainty about income tax treatments*" since January 1, 2019, assessing all income taxes for which there could be uncertainty about the accounting treatment. As a result of the assessment, the Bank considers that there are no situations that should be provided for as of December 31, 2022 and 2021.

v. Main pronouncements issued by the SBS in the year 2022

- SBS Resolution 0126-2022-SBS, dated January 13, 2022; establishes to modify the regulation of infractions and sanctions of the SBS. Related to non-compliance with the authorization for the use of novelty models.

- SBS Resolution N° 0127-2022-SBS, dated January 13, 2022; establishes to extend the exceptional treatment for the extension for the holding of foreclosed and repossessed assets for those companies that require it without the need for an authorization request or Resolution by the SBS.

- SBS Resolution 00530-2022-SBS, dated February 11, 2022; reestablishes the minimum requirement of 100% for the Liquidity Coverage Ratio in local currency and Liquidity Coverage Ratio in foreign currency as of April 1, 2022.

- SBS Resolution 00598-2022-SBS, dated February 25, 2022; establishes to modify the paragraph of voluntary dissolution of the Regulation of the special regimes and liquidation of the companies of the financial system and the insurance system. It establishes that the company must request to the SBS authorization for voluntary dissolution attaching the AGM resolution, the balance sheet, the schedule of the voluntary liquidation process until its definitive completion. It must also indicate the procedure and the liquidators appointed. Failure to comply with this schedule may result in an administrative sanction.

- SBS Resolution 00949-2022-SBS, dated March 24, 2022; establishes the modification of the regulations for the election of representatives to the Board of Directors of the Municipal Savings and Loan Banks. Modification regarding the requirements to be direct and the documentation required to the direct for the purpose of their appointment.

- SBS Resolution 01299-2022-SBS, dated April 20, 2022; establishes to modify the Regulation for the negotiation and accounting of Derivative Financial Products regarding the use of rates for the determination of the valuation of:

  i. Derivative Financial Products for Trading
  ii. Derivative Financial Products for Hedging Purposes

- SBS Resolution 01944-2022-SBS, dated June 16, 2022; establishes that for rescheduled loans that have the coverage of the Fund for Business Support to MSMEs in the Tourism Sector (FAE-TURISMO), the same treatment is applicable to the part of the rescheduled loans that have the coverage of the Fund for Business Support to MSMEs.

- SBS Resolution 01905-2022-SBS, dated June 10, 2022; establishes the postponement of the entry into force of the following amendments to the Regulation for the Consolidated Supervision of Financial and Mixed Conglomerates until January 1, 2023. Regarding the calculation of effective equity.

- SBS Resolution 02165-2022-SBS, dated July 11, 2022, establishes that the loans rescheduled under Emergency Decree 011-2022 are covered by the Reactiva Peru Program and the same treatment is applicable to them; therefore, the accounting accounts to be used for the amount of rescheduled current capital presented in the portion with and without central government guarantee, rescheduled past-due capital presented in the portion with and without central government guarantee and the yields of these rescheduled loans presented by the accrued and received criteria are established. It is also established that the guarantees will be presented in a different account from the previous rescheduling process.

- SBS Resolution 02192-2022-SBS, dated July 13, 2022, establishes the approval of "Provisions for the application of maximum interest rates", where Financial Institutions are required to have processes to implement policies and procedures to ensure that the compensatory and default interest rates applied to consumer loans and loans to small and micro-enterprises are within the limits established by the BCRP, which are updated every six months.

- SBS Resolution 02800-2022-SBS, dated September 13, 2022, establishes to modify the determination of the Net Accounting Position of Derivative Financial Products in foreign currency; now this position should not include instruments classified as accounting hedging.

- SBS Resolution 3178-2022-SBS, dated October 17, 2022, establishes that, in the case of the companies of the financial system, the part of the credits covered by the Business Support Fund for the textile and clothing sector (FAE-TEXCO), the same treatment is applicable to the part of the credits covered by the Business Support Fund for the MYPE, through SBS Resolutions 1315-2020 and 1546-2020. The exceptional limit of fifty percent (50%) of the effective equity of the companies in the financial system applies to the total coverage granted by the FAE-TEXCO, this resolution comes into effect the day after its publication.

- SBS Resolution 3296-2022-SBS, dated October 28, 2022, based on the new pronouncements of the Basel Committee on Banking Supervision, the regulation for liquidity risk management is modified in order to adapt liquidity risk management and annex 15-B to the standards established by said committee.

- SBS Resolution 3955-2022-SBS, dated December 22, 2022, establishes to modify the Regulation for the Market Risk Effective Equity Requirement, by which this regulation is updated in order to incorporate the changes related to the composition of the effective equity and the elimination of the advanced methods for the calculation of the effective equity requirement for operational risk, effective as of January 1, 2023.

- SBS Resolution 3951-2022-SBS, dated December 22, 2022, establishes the approval of the new Regulation for the Computation of Reserves, Profits, Donations and Capital Instruments in the Effective Equity, establishes the conditions for their computation in the effective equity of the capital instruments, as well as the existence of limits for their consideration in the computation of the effective equity, effective as of January 1, 2023.

- SBS Resolution 3952-2022-SBS, dated December 22, 2022, establishes to modify the Regulation for the Effective Equity Requirement for Credit Risk, basically in changes in the calculation of assets and contingencies weighted by credit risk and changes in the exposures with the public sector, effective as of January 1, 2023.

- SBS Resolution 3953-2022-SBS, dated December 22, 2022, establishes the approval of the Regulation for the Effective Equity Requirement for Additional Risks as clarifications to the calculation of concentration and interest rate risk, as well as its effects on the effective equity requirement, it also establishes clarifications on the consideration of voluntary provisions to reduce the effective equity requirement for additional risks. This Resolution is effective as of January 1, 2023.

- SBS Resolution 3950-2022-SBS, dated December 27, 2022, approved the new Regulation of Subordinated Debt applicable to Financial System Companies, establishing the conditions to consider subordinated debt in the calculation of effective equity, as well as establishing details on debt instruments and the existence of limits for its consideration in the calculation of effective equity. It is effective as from January 1, 2023.

4. Foreign Currency Transactions

A foreign currency monetary item is initially recognized at the exchange rate existing at the date of the transaction and is retranslated into the functional currency at the exchange rate existing at the date of the statement of financial position established by the SBS (note 26(f)). Any gains or losses resulting from restating foreign currency monetary items at the exchange rate existing at the date of the statement of financial position are recognized in profit or loss.

Foreign currency non-monetary items are translated using the exchange rate existing at the transaction date and are not subsequently adjusted.

The separate statement of financial position includes foreign currency balances mainly in U.S. dollars (US$). They are recognized in *soles* (S/) at the exchange rate established by the SBS. As of December 31, 2022 and 2021, the exchange rate was S/ 3.814 and S/ 3.987, respectively.

Foreign currency transactions in the Peru or international trading transactions referred to the concepts authorized by the BCRP are channeled through a free banking system. As of December 31, 2022, buy and sell exchange rates used were US$ 1 = S/ 3.808 and US$ 1 = S/ 3.820, respectively (2021: US$ 1 = S/ 3.975 and US$ 1 = S/ 3.998).

As of December 31, the balances in foreign currency are summarized as follows:

	2022			**2021**		
In thousands of U.S. dollars	**USD**	**Other currencies**	**Total**	**USD**	**Other currencies**	**Total**
Assets						
Cash and cash equivalents	715,497	21,269	736,766	796,690	22,758	819,448
Available-for-sale investments	7,234	-	7,234	7,417	-	7,417
Accounts receivable, net	212	-	212	319	-	319
Other assets, net	1,623	44	1,667	3,728	231	3,959
	724,566	**21,313**	**745,879**	**808,154**	**22,989**	**831,143**
Liabilities						
Obligations to the public and other obligations	737,049	18,628	755,677	795,045	22,449	817,494
Other liabilities	1,154	213	1,368	2,017	409	2,426
	738,203	**18,841**	**757,044**	**797,062**	**22,858**	**819,920**
Net asset position	**(13,637)**	**2,472**	**(11,166)**	**11,092**	**131**	**11,223**

In 2022 and 2021, the Bank recorded net foreign exchange gains from miscellaneous transactions in millions of S/ 104.41 and millions of S/ 73.95, respectively, in the caption of Results on Financial Transactions in the statement of income and other comprehensive income (note 20).

As of December 31, 2022, the Bank has contingent operations in foreign currency for US$ 690,734 thousand, EUR 15,523 thousand equivalent to S/ 2,697,825 thousand (2021: US$ 262,220 thousand and EUR 25,333 thousand and GBP 561 thousand equivalent to S/ 1,163,487 thousand as of December 31, 2021).

5. Cash and Cash Equivalents

This caption comprises the following:

In thousands of soles	**2022**	**2021**
Cash and swaps (a)	1,820,170	2,218,277
Deposits with BCRP (a)	22,929,050	25,955,033
Local and foreign banks (b)	332,313	279,342
Accrued yields on BCRP deposits	115,472	138,066
Other available funds	1,494	4,841
	25,198,499	**28,595,559**

(a) The available funds include the legal reserve that the Bank must maintain for its obligations to the public and is kept within the limits set by the provisions in force. This caption comprises the following:

In thousands of soles	2022	2021
Legal reserve		
Deposits with BCRP	20,816,094	23,307,665
Vault cash	1,085,516	2,209,389
Subtotal legal reserve (*)	21,901,610	25,517,054
Deposits with BCRP (**)	2,112,956	2,647,368
Cash and swaps	14,654	8,888
Subtotal non-compulsory reserves	**2,127,610**	**2,656,256**
Total	**24,029,220**	**28,173,310**

(*) The legal reserve corresponds to funds deposited in the Bank's own vaults and in the BCRP, and are maintained within the limits established by current legal provisions. Legal reserve funds held at the BCRP do not earn interest.
(**) As of December 31, 2022, the Bank maintains overnight deposits in the BCRP in foreign currency, bearing interest at an average annual effective rate of 1.8346 percent and maturing in January 2023. As of December 31, 2021, the Bank held overnight deposits with the BCRP in foreign currency, bearing interest at an average annual effective rate of 0.06 percent and maturing in January 2022.

(b) The deposits with local and foreign banks correspond to balances in *soles* and U.S. dollars. They have free withdrawal option and accrue interest at market rates.

6. Investments

This caption comprises the following:

	2022				2021			
In thousands of soles	**Quantity (Unit)**	**Amortized cost**	**Unrealized gains and losses**	**Fair value**	**Quantity (Unit)**	**Amortized cost**	**Unrealized gains and losses**	**Fair value**
Available-for-sale investments								
Equity instruments (a)								
Bladex	446,556	13,350	14,242	27,592	446,558	13,956	15,617	29,573
Debt instruments								
Sovereign bonds from the Republic of Peru (b)	1,831,167	1,934,115	(353,285)	1,580,830	4,731,167	5,709,140	(636,852)	5,072,288
Certificates of deposit – BCRP (c)	3,000,000	2,957,264	(3,133)	2,954,131	1,975,000	1,971,419	(4,270)	1,967,149
Corporate bonds (d)	6,546	8,139	(31)	8,108	10,746	29,842	108	29,950
	5,284,269	**4,912,868**	**(342,207)**	**4,570,661**	**7,163,471**	**7,724,357**	**(625,397)**	**7,098,960**

(a) As of December 31, 2022 and 2021, corresponds to the class "A" common shares issued by Banco Latinoamericano de Comercio Exterior S.A., S.A. and Banco Latinoamericano de Comercio Exterior S.A. Comercio Exterior S.A. - Bladex representing 1.1 percent of its capital stock. At those dates, the fair value per share was US$ 16.20 and US$ 16.61, respectively.

Debt instruments

(b) Sovereign bonds from the Republic of Peru
It corresponds to sovereign bonds issued by the Peruvian Government in local currency. These are purchased at the rates and prices offered in the market on the trading date.

(c) Certificates of Deposit issued by the BCRP are freely negotiable securities in local currency.

(d) Corporate bonds
Movement in this caption was as follows:

In thousands of soles	2022	2021
Edelnor	-	4,078
Red de Energía del Perú	7,856	18,003
Luz del Sur S.A.A.	-	7106
Others	252	763
	8,108	**29,950**

As of December 31, 2022 and 2021, management has estimated the market value of available-for-sale investments based on available market quotations or, if not available, by discounting the expected cash flows at an interest rate that reflects the risk classification of the security.

The Bank's management has determined that the unrealized losses as of December 31, 2022 and 2021 are temporary in nature. In management's opinion, the Bank has the intent and ability to hold each of its available-for-sale investments with unrealized losses for a sufficient period of time to allow for the anticipated recovery of the fair value or until the maturity date.

As of December 31, 2022, the Bank maintains a net deferred income tax liability of S/ 3.51 million, note 15, generated by the net unrealized gain of certain available-for-sale investments that are subject to income tax of S/ 11.90 million (net deferred liability of approximately S/ 4.40 million, generated by the net unrealized gain of certain available-for-sale investments that are subject to income tax of S/ 14.90 million as of December 31, 2021) (note 15).

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

	Maturity		Investments at fair value			
			2022		2021	
			PEN		PEN	
	2022	2021	Min.	Max.	Min.	Max.
Available-for-sale investments						
Sovereign bonds from the Republic of Peru (d)	Jan-26/ Aug-40	Jan-26/ Aug-40	3.07	7.83	2.06	5.59
Certificates of deposit – BCRP (e)	Jan-23 / Sep-23	Jan-23 / Sep-23	2.38	7.33	0.35	2.51
Corporate bonds (d)	Feb-23 / Apr-23	Apr-22 / Apr-23	4.47	5.19	4.47	6.38

The accrued yield on available-for-sale investments during 2022 amounted to approximately S/ 221.94 million (2021: approximately S/ 170.86 million) and is included in "Interest income" in the statement of income.

(f) The balance of available-for-sale investments as of December 31, 2022 and 2021 is presented below, classified by maturity:

In thousands of soles	2022	2021
Less than 3 months	2,712,031	1,865,812
From 3 months to 1 year	250,208	21,312
1–3 years	-	109,975
3–5 years	56,493	-
Over 5 years	1,524,337	5,072,288
No maturity (shares)	27,592	29,573
	4,570,661	**7,098,960**

(g) This caption comprises the following:

In thousands of soles	2022	2021
Bonds - Supreme Decree 002-2007 (i)	295,763	296,704
Sovereign bonds from the Republic of Peru BS12FEB2029 (ii)	2,522,500	2,059,238
Sovereign bonds from the Republic of Peru BS12AGO2024 (iii)	81,784	32,781
Sovereign bonds from the Republic of Peru BS12AGO28 (iii)	40,513	21,999
Sovereign bonds from the Republic of Peru BS12AGO26 (iv)	1,646,183	-
Sovereign bonds from the Republic of Peru BS12AGO31 (iv)	977,117	-
Accrued interest	135,415	47,017
	5,699,275	**2,457,739**

The accrued yield of the investment portfolio at maturity during the year 2022 amounted to approximately S/ 231.53 million (approximately S/ 128.15 million during the year 2021) and is included in "Interest income" in the statement of comprehensive income, note 18.

(i) Through Supreme Decree 002-2007-EF published on January 11, 2007, the MEF repealed Supreme Decree 210-2006-EF published on December 27, 2006, which provided, among other things, for the reconciliation of the reciprocal obligations held by the MEF and the Bank as of September 30, 2006, signing an Act of Reconciliation of Reciprocal Obligations (hereinafter the "Act of Reconciliation") dated December 28, 2006.

The aforementioned Supreme Decree ratified the Conciliation Act, establishing that the obligations conciliated as of September 30, 2006 will be restated as of January 1, 2007, according to the criteria established in the Conciliation Act. In this sense, it established that the total compensation and cancellation of the obligations of the MEF in favor of the Bank would be made with a value date of January 2, 2007.

The reciprocal debts reconciled as of September 30, 2006 as a result of the Conciliation Act, signed on December 28, 2006, resulted in debts of the MEF in favor of the Bank for US$ 31.3 million and debts of the Bank in favor of the MEF for US$ 72.4 million, establishing a net debt in favor of the MEF for US$ 41.1 million.

Likewise, in the new Debt Reconciliation Agreement entered into between the MEF and the Bank updated as of January 1, 2007, additional indebtedness of the MEF in favor of the Bank for S/ 64.3 million and US$ 849.2 million were determined, for various debt operations approved by explicit legal norms.

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

In thousands of soles		
Debt of the MEF in favor of the Bank (i)		
Certificate of December 28, 2006	-	31,335
Certificate of January 01, 2007	64,338	849,171
Debt of the Bank in favor of the MEF (ii)		
Certificate of December 28, 2006	-	(72,414)
Debt of the MEF in favor of the Bank (i) – (ii)	64,338	808,092

In accordance with Supreme Decree 002-2007-EF, perfected by the Consolidation, Compensation and Cancellation of Obligations Agreement signed between the MEF and the Bank on March 26, 2007, the following conditions resulting from the compensation of reciprocal obligations between the MEF and the Bank were specified:

- The MEF offset the debt in favor of the Bank by delivering on March 30, 2007 a bond in soles for S/ 2,644.6 million; consequently, the debt in US dollars was converted at the selling exchange rate published by the SBS at the close of operations on January 2, 2007 of S/ 3.193 per US$ 1.

  - The bond was issued under the following characteristics:
  - In soles.
  - Non-negotiable.
  - Maturity of 30 years.
  - Amortizable annually.
  - 6.3824% annual interest, payable quarterly.
  - Annotation in account at CAVALI SA I.C.L.V.

- The amortization of the bond will be charged to the Bank's net profits for an amount equivalent to no less than 30.0 percent of the profits corresponding to the Public Treasury. In any case, the amortization may not be less than S/ 60.0 million. If the profits corresponding to the Public Treasury do not allow to cover such amount, the MEF will cover the difference from the budget items allocated for public debt service.

  - In the event that upon maturity of the bond there are balances pending payment, these will be cancelled by the MEF.
  - Interest accrued on the bond will be paid by the MEF.

Due to the fact that the bonds issued by the MEF have been held within the framework of a law (through Supreme Decree 002-2007-EF), where the interest is paid with monetary resources from the MEF and even the amortization could be made with resources from the MEF itself (in case the Bank does not generate profits), the Bank's Management defined it as an investment to be held to maturity, also taking into consideration both the Bank's intention and capacity to hold these bonds to maturity.

It should be noted that, in accordance with article 7 of Law 31366 - Law of Financial Balance of the Public Sector Budget for Fiscal Year 2022, the suspension of the amortization of the bond against the Bank's net profits corresponding to fiscal year 2021, referred to in paragraph 5.2 of article 5 of Supreme Decree 002-2007-EF, as amended by article 1 of Supreme Decree 081-2009-EF, is exceptionally provided for fiscal year 2022.

At the 2404th Board of Directors' meeting held on May 5, 2022, the Bank approved to distribute the net profits for fiscal year 2021 in favor of the Public Treasury without subtracting the amortization of this bond in compliance with the aforementioned law.

The balance of such bond as of December 31, 2022 and 2021 amounts to S/ 295.76 million and S/ 296.72 million, respectively.

(ii) In 2013 and 2014, the Bank and the MEF entered into various credit agreements and debt management agreements in order to establish Debt Management operations under the refinancing modality of the obligations arising from the loans granted to the MEF intended to finance: (i) the first stage of seven (7) projects executed by the Ministry of Defense (DS 267-2013), (ii) set of additional requirements of the Ministry of Defense (DS 358-2013-EF), (iii) part of the components of eight (8) investment projects to be executed by the Ministry of Defense (DS 359-2013), (iv) the investment project portfolios of the Provincial Municipality of Chincheros (DS 331-2014-EF) and (v) the project "Recovery of the Basic Flight Instruction Service with fixed wing aircraft in the FAP air group N° 51" (DS 211-2012-EF); whose expiration date was agreed for July 2017. Under this modality the MEF would deliver, at the end of the payment term, in property of the Bank sovereign bonds for a total amount of S/ 2,073.1 million, under the framework of the Disbursement Reconciliation Act of the aforementioned Supreme Decrees.

Based on this, in July 2017, the Bank classified the bonds received in payment as a result of the Debt Management agreement between the Bank and the MEF, as follows:

- Available-for-sale investments Bonds delivered on July 4, 2017 - BS12AGO2026 in the amount of S/ 606.8 million; and
- Held-to-maturity investments. Bonds delivered on July 6, 2017 -BS 12FEB2029 in the amount of S/ 1,466.3 million (which included accrued interest to date of approximately S/ 33.6 million).

With respect to the Sovereign Bond 12FEB2029, the Bank's Management defined this bond as an investment to be held to maturity, also taking into consideration both the Bank's intention and ability to hold these bonds to maturity. This bond was issued under the following characteristics:

- In soles.
- Negotiable.
- Sovereign bond maturing on February 12, 2029.
- Coupon rate of 6.0% per annum with semiannual interest payments
- Annotation in account at CAVALI SA I.C.L.V.

As of December 31, 2022, the balance of this bond amounted to S/ 2,522.50 million (2021: S/ 2,059.24 million).

(iii) In 2021, as part of its strategy to increase its maturity bond portfolio, the Bank acquired 30,000 and 20,000 units of sovereign bonds BS12AGO2024 and BS12AGO2028, maturing in August 2024 and August 2028, at a total cost of approximately S/ 33.60 million and S/ 22.59 million, respectively.

(iv) On July 12 and August 17, 2022, available-for-sale investments were reclassified to held-to-maturity investments in the amounts of S/ 2,097 million and S/ 945 million, respectively The carrying amounts of the fair value of available-for-sale investments at the reclassification date were converted to the new amortized cost of the held-to-maturity investment in compliance with the guidelines established in SBS Resolution 7033-2012.

7. Loan Portfolio, Net

This caption comprises the following:

In thousands of soles	*Note*	2022	2021
Direct loans (a)			
Current			
Consumer loans		6,383,842	4,972,673
Deposits with financial institutions (b)		2,234,822	2,052,672
Mortgage loans		513,248	367,617
Loans to public sector entities (c)		374,890	82,046
Sovereign loans - MEF (d)		60,398	29,351
Micro-business loans		-	11,167
Refinanced loans		14,276	16,249
Past due		164,474	150,771
Under legal collection		67,998	40,009
		9,813,948	**7,722,555**
Plus (less)			
Accrued interest on current loans		82,343	50,625
Deferred interest income from refinanced and rescheduled loans outstanding		(12,683)	(10,481)
Deferred interest income on refinanced loans		(5,025)	(4,703)
Provision for loan losses (e)		(518,581)	(444,639)
Total direct loans		**9,360,002**	**7,313,357**
Indirect loans	*17(a)*	**1,717,341**	**900,027**

(a) As of December 31, 2022 and 2021, the direct loan portfolio, segmented by type of loan, is as follows:

In thousands of soles	2022	2021
Wholesale loans		
Corporate loans	2,670,147	2,164,111
Medium-business loans	6,635	6,720
	2,676,782	**2,170,831**
Retail loans		
Revolving and non-revolving consumption	6,618,898	5,168,370
Mortgage loans	517,240	371,464
Small-business loans	643	658
Micro-business loans	385	11,232
	7,137,166	**5,551,724**
Total	**9,813,948**	**7,722,555**

A portion of the loan portfolio is backed by collateral received from customers, which are mainly employees and pensioners of the state and government agencies. These guarantees consist mainly of mortgages, surety bonds, deposits and securities.

As of December 31, 2022 and 2021, according to the SBS regulations, the credit rating of the Bank's loan portfolio is as follows:

	2022					
	Direct loans		Indirect loans		Total	
Risk rating						
Standard	9,338,770	95.16%	1,704,205	99.24%	11,042,975	95.77%
With potential problems	87,345	0.89%	-	-	87,345	0.75%
Substandard	54,244	0.55%	-	-	54,244	0.47%
Doubtful	114,518	1.17%	13,136	0.76%	127,654	1.11%
Loss	219,071	2.23%	-	-	219,071	1.90%
	9,813,948	**100.00%**	**1,717,341**	**100.00%**	**11,531,289**	**100.00%**

	2021					
	Direct loans		Indirect loans		Total	
Risk rating						
Standard	7,283,727	94.32%	857,864	95.32%	8,141,591	94.42%
With potential problems	109,429	1.42%	-	-	109,429	1.27%
Substandard	40,554	0.53%	-	-	40,554	0.47%
Doubtful	103,013	1.33%	42,163	4.68%	145,176	1.68%
Loss	185,832	2.41%	-	-	185,832	2.16%
	7,722,555	**100.00%**	**900,027**	**100.00%**	**8,622,582**	**100.00%**

(b) It corresponds to loans granted to companies included in paragraphs A and B of article 16 of the General Law of the Financial System and their foreign counterparts, and also includes loans granted to FOGAPI, COFIDE, Banco Agropecuario and Fondo MIVIVIENDA.

Supreme Decree 134-2006-EF dated August 9, 2006 created the "Special Financial Support Program for Micro and Small Enterprises - PROMYPE", which authorizes the Bank to enter into financing agreements, through lines of credit, with entities that grant loans to Mi Banco, Cajas Municipales de Ahorros y Créditos, COFIDE, and Fondo MIVIVIENDA.

In 2020, Emergency Decrees 029-2020 and amending Emergency Decree 049-2020 were issued, authorizing the Bank to grant credit lines in favor of COFIDE to facilitate the temporary liquidity of the FAE-MYPE fund. The granting of credit lines for a total of S/ 1,940.00 million to COFIDE was approved by the Bank through Board Sessions 2289-2020 of March 23, 2020, 2296-2020 of March 23, 2020, 2296-2020 of March 23, 2020 and 2296-2020 of March 23, 2020. March 23, 2020, 2296-2020 of May 11, 2020 and 2300-2020 of June 12, 2020.

Likewise, during 2020 and within the framework of the aforementioned Decrees, the Bank granted COFIDE loans totaling approximately S/ 1,963 million to support Micro and Small Enterprises affected by the Covid-19 outbreak, of which S/ 1,043 million are guaranteed by series "B" shares of Corporación Andina de Fomento (CAF), owned by COFIDE. As of December 31, 2021, the balance of these loans granted amounts to S/ 1,146.00 million comprised of fifty-one (51) loans (as of December 31, 2020 the balance amounted to S/ 1,738.00 million comprised of sixty-five loans (65)).

On the other hand, during 2020, Emergency Decree 076-2020 was issued authorizing the Bank to grant credit lines in favor of COFIDE to facilitate the temporary liquidity of the FAE-TURISMO fund. Within the framework of this decree, the Bank granted COFIDE loans totaling S/ 47.00 million to support Micro and Small Enterprises in the tourism sector affected by the Covid-19 outbreak.

In 2021, by means of Board of Directors Meeting 2362 of July 22, 2021, the Bank approved two direct revolving credit lines, a new Multiprogram credit line for S/ 500. 00 million to finance the liquidity needs of the disbursements of the government programs that are in force and destined to the containment and reactivation of the economy in view of the negative effects of the Covid-19 pandemic, thus attending the financing of programs such as FAE MYPE, FAE Turismo, FAE AGRO, PAE MYPE and other programs that the National Government may create with the purpose of helping the reactivation of the economy after the crisis generated by the Covid-19; and another line of credit of free availability for S/ 450.00 million to attend working capital operations for priority sectors of the country's economy. The Bank disbursed to COFIDE loans totaling S/ 147.00 million of the freely available line for S/ 450.00 million to attend working capital operations to priority sectors of the country's economy.

In 2021, by means of Board of Directors' Meeting 2335 of February 11, 2021, the Bank approved a revolving direct credit line in favor of Fondo Mi Vivienda for S/ 570.00 million to finance mortgage loan operations. As of December 31, 2021, the Bank disbursed the entire credit line.

In 2022, loans were granted to CMAC Arequipa for S/ 190,000 million, CMAC Cuzco S/ 102,740 million, Cofide S/ 87,836 million and amortizations of MI Banco S/ 185,000 million, CMAC Huancayo S/ 12,438 million, others for S/ 988 thousand.

(c) In 2022, loans were granted to Petroperu for S/ 277 million, Electro Norte for S/ 28 million, Electro Nor Oeste S-A for S/ 66 million and the repayments of Servicios Postales del Peru for (S/ 15 million) and Municipalities / Others for (S/ 40 million) respectively. In 2021, the following entities: Electro Norte, Electro Centro, Electro Sur, Electro Ucayali, Hidrandina, SEAL, ELSE, ENOSA and Petroperu made prepayments of the principal of the loans granted during the first half of 2020 for approximately S/ 536.67 million. Likewise, during 2021 the Bank made disbursements to Municipalities and SERPOST for S/ 20.80 million and S/ 15.00 million, respectively.

(d) It corresponds to loans granted to public sector entities that have items allocated by the Public Treasury to specifically pay such exposures; which are requested exclusively by the MEF through Supreme Decrees. As of December 31, 2022, it mainly corresponds to twenty-nine (29) loans granted under the application of Supreme Decree 091-2019-EF and ten (10) loans granted under the application of Supreme Decree 083-2021-EF intended to partially finance investment projects in charge of the Ministry of Defense (as of December 31, 2021 it mainly corresponded to twenty-one (21) loans granted under the application of Supreme Decree 091-2019-EF intended to partially finance twelve (12) investment projects in charge of the Ministry of Defense).

(e) The provision for direct loan losses, as presented in the separate statement of profit or loss, is as follows:

In thousands of soles	**2022**	**2021**
Balance as of January 1	**444,639**	**411,401**
Provision, net of recoveries (*)	84,585	43,476
Write-off loan portfolio	(10,523)	(10,493)
Difference in exchange and others	(120)	255
Balance as of December 31	**518,581**	**444,639**

(*) Includes allowance for doubtful accounts for rescheduled loans Covid-19.

(f) The interest generated by the loan portfolio is freely agreed taking into account the interest rates in force in the markets where the Bank operates. As of December 31, 2022 and 2021, the effective annual rates for the main products were as follows:

	2022		**2021**	
	Local currency	**Foreign currency**	**Local currency**	**Foreign currency**
Overdrafts	17.00	12.00	9.00–17.00	12.00
Corporate loans	5.00	11.00	2.50–7.50	8.00
Consumer Loans	7.75–13.75	-	8.90–15.50	-
Credit cards	19.00–32.00	-	21.00–32.00	-
Mortgage loans	5.99–7.25	-	5.50–7.25	-

Interest, fees and expenses on loans or installments, that are past due, under legal collection, or rated as Doubtful or Loss, are recognized as income in suspense in the statement of profit or loss when they are effectively received. The cumulative amounts not recognized as income for this concept amounted to S/ 160,175.57 million and S/ 99,892.27 million in the years 2022 and 2021, respectively.

(g) The following table shows direct loans classified by contractual maturities as of December 31, 2022 and 2021:

In thousands of soles	**2022**	**2021**
To be due		
Up to 1 month	241,024	137,045
1–3 months	500,852	479,520
From 3 months to 1 year	2,306,503	1,641,417
1–3 years	4,237,651	3,635,373
3–5 years	1,879,643	1,345,390
Over 5 years	401,527	276,781
Refinanced loans	14,276	16,249
Loans past due and loans under legal collection	232,472	190,780
	9,813,948	**7,722,555**

8. Accounts Receivable, Net

This caption comprises the following:

In thousands of soles	**2022**	**2021**
Accounts receivable from COFIDE – CRECER (a)	127,026	132,483
Accounts receivable from COFIDE - FAE -MYPE (b)	84,030	90,862
Third-party claims (c)	45,606	51,961
Fees receivable (d)	24,537	22,166
Other accounts receivable (e)	34,611	20,387
Advances to personnel (f)	36,369	18,215
Advances to suppliers	1,974	3,087
Accounts receivable from MEF	106	106
	354,259	**339,267**
Provision for third-party claims	(7,481)	(5,733)
Allowance for other accounts receivable	(754)	(768)
Total	**346,024**	**332,766**

(a) By Legislative Decree 1399 published on September 9, 2018, the CRECER fund was created, which resulted from the consolidation of the following funds: (i) The MIPYME Fund, created by Law 30230, Law that establishes tax measures, simplification of procedures and permits for the promotion and dynamization of the country's investment. (ii) The Support Fund for Small and Medium-Sized Enterprises, created by Emergency Decree 050-2002. (iii) The Business Guarantee Fund - FOGEM created by Emergency Decree 024-2009.

The Fund for the Productive Strengthening of MSEs - FORPRO, created by Emergency Decree 008-2017, which dictates complementary measures for the attention of emergencies generated by the Coastal El Niño phenomenon and for the reactivation and productive strengthening of micro and small enterprises. The aforementioned Legislative Decree provided for the liquidation of the FOGEM and FORPRO funds, and authorized the MEF and Banco de la Nación, to terminate the trust agreements and trust commission agreements, as appropriate entered into with Corporación Financiera de Desarrollo (COFIDE).

The purpose of the CRECER Fund is to promote the productive and entrepreneurial development of micro, small and medium-size companies and exporting companies due to their high impact on the national economy, through financing, guarantees and other financial products. The term of the CRECER Fund is 30 years.

Ministerial Resolution 276-2019-EF/52, published on July 12, 2019, approved the CRECER Fund Management Trust Agreement, which was signed between the MEF, Banco de la Nación and COFIDE.

In 2019, all cash resources from the FOGEM and FORPRO funds were transferred to the CRECER Fund for a total of S/ 251.67 million.

In 2020, the CRECER Fund transferred S/ 117.35 million to the FAE-MYPE Fund, see below.

The loss of the CRECER Fund amounted to S/ 6.70 million for the year 2022 (loss of S/ 1.17 million for the year 2022). 1.17 million for the year 2021), is recorded in the account "Valuation of assets and provisions" in the statement of comprehensive income, note 22 (b).

(b) Through Emergency Decree 029-2020, published on March 20, 2020, the FAE-MYPE Fund was created to guarantee working capital loans granted to MSEs, as well as to restructure and refinance their debts. In addition, through Ministerial Resolution 124-2020-EF-15, published on March 25, 2020, the Operating Regulations of the Business Support Fund for MSEs (FAE-MYPE) were approved. Likewise, through Emergency Decree N° 049-2020, published on April 27, 2020, COFIDE was authorized to transfer the CRECER Fund to the FAE-MYPE Fund up to the amount of S/ 500 million. The amount transferred at the end of 2020 amounted to approximately S/ 117.35 million.

The loss of the FAE-MYPE Fund for the year 2022 for S/ 7.02 million is recorded in the account "Valuation of assets and provisions" in the statement of comprehensive income, note 22 (b).

(c) As of December 31, 2022, the balance corresponds mainly to: (i) S/ 30.48 million for the guaranteed deposits that the Bank made in the collection account of the Judiciary for those lawsuits that are in the cassation stage and already have a lower instance sentence, (ii) accounts receivable for the "Pension 65" programs for S/ 6.48 million and Programa Juntos S/ 0. 19 million (these amounts correspond to the reimbursement by the executing units of the social programs - MIDIS), (iii) claims for liabilities of former workers for S/ 1.14 million, (iv) claims to banks in liquidation for S/ 2.12 million and (v) miscellaneous claims for S/ 5.20 million.

As of December 31, 2021, the balance corresponds mainly to: (i) S/ 25.72 million for guaranteed deposits that the Bank made in the collection account of the Judiciary for those lawsuits that are in the cassation stage and already have a lower instance sentence, (ii) accounts receivable for the "Pension 65" programs for S/ 10. 03 million and Programa Juntos S/ 0.68 million (these amounts correspond to the reimbursement by the executing units of the social programs - MIDIS), (iii) claims for liabilities of former workers for S/ 1.44 million, (iv) claims to banks in liquidation for S/ 2.12 million S/ 11.96 million.

(d) As of December 31, 2022, the balance corresponds mainly to: (i) S/ 9.48 million of commissions receivable for judicial and administrative deposits held by the Judicial Branch in the Bank, (ii) S/ 6.37 million of commissions to insurance companies, (iii) S/ 3.65 million of commissions receivable for judicial and administrative deposits claimed, (iv) S/ 4.65 million for trust commissions and (v) commissions receivable from the Executing Units of the "Pension 65" and "Juntos" Social Programs for the services of money distribution to their beneficiaries at the national level for S/ 181 thousand.

As of December 31, 2021, the balance corresponds mainly to: (i) S/ 9.53 million of commissions receivable for judicial and administrative deposits held by the Judicial Branch in the Bank, (ii) S/ 5.10 million of commissions to insurance companies, (iii) S/ 3.77 million of commissions receivable for judicial and administrative deposits claimed, (iv) S/ 3.59 million for trust commissions and (v) commissions receivable from the Executing Units of the "Pension 65" and "Juntos" Social Programs for money distribution services to their beneficiaries nationwide for S/ 181 thousand.

(e) As of December 31, 2022, the balance corresponds mainly to: (i) S/ 9.03 million of accounts receivable for services rendered to MINEDU for the transfer and custody of tests for the Public Contest for Admission to the Public Teaching Career 2021, whose agreement was agreed during the month of May 2021, (ii) S/ 5.27 million for life insurance services, debit card protection, accidents, burial and oncology, (iii) S/ 3.731 million of accounts receivable for Essalud subsidies and (iv) other minor items for S/ 15.01 million.

As of December 31, 2021, the balance corresponds mainly to: (i) S/ 4.84 million of accounts receivable for services rendered to MINEDU for the transfer and custody of tests for the Public Contest for Admission to the Public Teaching Career 2021, whose agreement was agreed during the month of May 2021, (ii) S/ 5.89 million for life insurance services, debit card protection, accidents, burial and oncology, (iii) S/ 3.01 million of accounts receivable for Essalud subsidies and (iv) other minor items for S/ 2.68 million.

(f) In December 2022, the Bank granted an advance for a liberality bonus to workers for S/ 25.87 million.

In 2021, the Bank has granted advances to various workers in order to mitigate the adverse effects of the Covid-19 pandemic, for amounts ranging from S/ 2,000 to S/ 4,000 per person.

9. Property, Furniture and Equipment, Net

This caption comprises the following:

In thousands of soles	Land	Buildings and other constructions	Improvements to leased properties and facilities	Property, plant and equipment	IT equipment	Vehicles	Work in progress and units to be received	Total
Costs								
Balance as of January 1, 2021	69,640	711,165	24,201	193,681	379,822	6,930	18,247	1,403,686
Additions	265	172	-	430	2,976	-	31,929	35,772
Transfers	-	1351	-	181	13,245	-	(14,777)	-
Disposals	-	-	(2,694)	(60,331)	(110,680)	(6,607)	-	(180,312)
Balance as of December 31, 2021 (i)	**69,905**	**712,688**	**21,507**	**133,961**	**285,363**	**323**	**35,399**	**1,259,146**
Additions	-	-	-	3,880	64,921	-	35,203	104,004
Transfers	-	2,133	516	220	17,690	-	(20,559)	-
Disposals	-	-	-	-	-	-	-	-
Balance as of December 31, 2022 (iv)	**69,905**	**714,821**	**22,023**	**138,061**	**367,974**	**323**	**50,043**	**1,363,150**
Depreciation								
Balance as of January 1, 2021	-	283,294	18,461	124,098	338,864	6,868	-	771,585
Depreciation	-	17,766	1,314	12,589	19,088	46	-	50,803
Disposals	-	-	(2,694)	(60,331)	(110,680)	(6,607)	-	(180,312)
Balance as of December 31, 2021 (ii)	**-**	**301,060**	**17,081**	**76,356**	**247,272**	**307**	**-**	**642,076**
Depreciation	-	17,258	1,128	12,256	25,736	18	-	56,396
Disposals	-	-	-	-	-	-	-	-
Balance as of December 31, 2022 (v)	**-**	**318,318**	**18,209**	**88,612**	**273,008**	**325**	**-**	**698,472**
Impairment as of December 31, 2021 (iii)	5,761	10,678	-	2,003	-	-	-	18,442
Impairment as of December 31, 2022 (vi)	5,761	10,678	-	2,003	-	-	-	18,442
Net carrying value								
As of December 31, 2021 (i)-(ii)-(iii)	**64,144**	**400,950**	**4,426**	**55,602**	**38,091**	**16**	**35,399**	**598,628**
As of December 31, 2022 (iv)-(v)-(vi)	**64,144**	**385,825**	**3,814**	**47,446**	**94,966**	**(2)**	**50,043**	**646,236**

The additions for the year 2022 correspond mainly to the purchase of computer equipment that the Bank acquired for use in its branches, main office and expansion of the physical capacity of the remote server for approximately S/ 82.61 million and works in progress for S/ 14.64 million related mainly to the remodeling of the branches in Lima and Provinces and the updating of the central platform of the ATM network.

The additions for the year 2021 correspond mainly to works in progress for approximately S/ 9.55 million; for the expansion and remodeling of branches, implementation of ATMS and replacement of ATMs in branches nationwide. Also, it corresponds to units (furniture and equipment) to be received for S/ 22.38 million, pending entry to the Bank's facilities.

In 2021, the Bank wrote off improvements in leased properties and facilities, furniture and equipment, computer equipment and vehicles that were fully depreciated for a cost and accumulated depreciation amounting to S/ 180.31 million.

The Bank maintains insurance on its main assets in accordance with the policies established by Management.

Management periodically reviews the residual value of the assets, the useful life and the depreciation method used, in order to ensure that they are consistent with the economic benefit and life expectancy.

As of December 31, 2022 and 2021, the movement in impairment of property, furniture and equipment is presented below:

In thousands of soles	**2022**	**2021**
Balance as of January 1	18,442	18,442
Balance as of December 31	**18,442**	**18,442**

10. Other Assets, Net and Other Liabilities

This caption comprises the following:

In thousands of soles	**2022**	**2021**
Other assets, net		
Financial instruments		
Main office and branches (a)	275,029	338,860
Transactions in progress (b)	112,135	133,518
	387,164	**472,378**
Non-financial instruments		
Income tax credit balance (c)	112,516	154,436
Temporary tax credit on net assets (c)	99,087	82,718
Intangible assets, net (d)	50,849	40,130
Prepayments and deferred charges	22,801	17,077
Miscellaneous assets	2,003	1,991
	287,256	**296,352**
	674,420	**768,730**

In thousands of soles	2022	2021
Other liabilities		
Financial instruments		
Transfers pending payment (e)	27,262	4,541
Bonds from the Republic of Peru payable (f)	87,408	198,667
Transactions in progress (b)	129,827	137,701
Cash surplus (c)	17,101	15,455
	261,598	**356,364**
Non-financial instruments		
Provision for litigations and demands (g)	195,853	96,696
Provision for indirect loans	27,251	21,322
Deferred income from interest and commissions on indirect loans	3,274	798
Others	428	428
	226,806	**119,244**
	488,404	**475,608**

(a) As of December 31, 2022, the balance in the main office and branches corresponds mainly to pending operations to branches and agencies in Lima for S/ 233.45 million and provinces for S/ 41.58 million (branches and agencies in Lima for S/ 34.80 million and provinces for S/ 303.63 million as of December 31, 2021), being the main type of operation the money remittances transferred from the main office to the agencies and offices in the interior of the country, were regularized in the first days of January 2023.

(b) Transactions in process are transactions mainly carried out in the last days of the month, reclassified the following month to their definitive accounts in the statement of financial position; these transactions do not affect the Bank's results.

As of December 31, 2022, the balance of active transactions in process mainly includes:

(i) Out-of-hours operations for approximately S/ 15.26 million, such amount is due to the closing of operations that take place at the end of the year and that were regularized in the first days of January 2023,
(ii) Unsettled operations for approximately S/ 34.41 million,
(iii) Accounts receivable for S/ 5.52 million for the recording of transitory operations, which were transferred during the first days of January 2023,
(iv) Transactions of purchases made through POS in stores with credit cards for approximately S/ 18.11 million. The 40.20% of these active transactions in process have been regularized in the first days of January 2023 and the transactions of differences to be regularized for S/ 56.93 million have been regularized in the year 2023.

On the other hand, the balance of the passive operations in process includes mainly:

(i) Out-of-hours operations for approximately S/ 44.36 million, such amount is due to the closing of operations that take place at the end of the year and that were regularized in the first week of January 2022,
(ii) Accounts receivable for S/ 32.91 million due to the recording of transitory operations, which were transferred during the first days of January 2022,
(iii) Transfers pending application for S/ 22.82 million,
(iv) Transactions to be settled for S/ 12.17 million,
(v) Surpluses of ATMs of agencies in the province for S/ 7.02 million and
(vi) Credit to suppliers' current accounts for S/ 4.43 million. 32.03% of these passive operations in process have been regularized in the first days of January 2023.

(c) As of December 31, 2022 and 2021, correspond to payments on account of income tax and other income tax credits of S/ 212.14 million and S/ 235.20 million, respectively, which are presented net of income tax for the year of S/ 189.38 million and S/ 80.76 million, respectively, note 13(b).

It also includes the balance of the Temporary Tax on Net Assets corresponding to the year 2022 and 2021 for S/ 99.09 million and S/ 82.72 million, respectively.

(d) In 2022, additions were made to the intangible assets caption, mainly related to the development and acquisition of software licenses used for the Bank's own operations for S/ 31.71 million.

In 2022 and 2021, the Bank recorded an amortization of S/ 19.51 million and S/ 16.21 million, respectively. S/ 16.21 million, respectively, in the "Depreciation and amortization" caption of the statement of comprehensive income.

(e) As of December 31, 2022 and 2021, the transfer pending payment corresponds to payments made after hours, ordered by the MEF and with funds charged to State suppliers from their current accounts for S/ 27.26 million and S/ 4.54 million, respectively, which were regularized mainly in the first days of January 2023 and January 2022, respectively.

(f) As of December 31, 2022 and 2021, corresponds to sundry bonds granted by the Peruvian State due to the Covid-19 pandemic that were pending payment to beneficiaries, amounting to S/ 87.41 million and S/ 198.67 million, respectively, which were regularized mainly in the first days of January 2023 and January 2022, respectively.

(g) It corresponds to the provisions for labor and social security claims, as well as for civil and arbitration proceedings filed against the Bank, which have been recorded based on the estimates made by Management and the Bank's internal legal advisors. Also, during the years 2022 and 2021, the Bank has made disbursements for these claims for approximately S/ 87.02 million and S/ 30.63 million, respectively.

On the other hand, as of December 31, 2022 and 2021, the Bank maintains judicial and labor lawsuits for an estimated value of approximately S/ 92.55 million and S/ 40.13 million, respectively, for which, in the opinion of Management and the Bank's internal legal advisors, there are solid defense arguments to consider that the degree of contingency is possible; therefore, in accordance with current accounting standards of the SBS, it is not required to establish an additional provision for these lawsuits as of December 31, 2022 and 2021.

11. Deposits and Obligations

This caption comprises the following:

In thousands of soles	2022	2021
Checking accounts (a)	20,628,732	20,853,637
Savings	15,831,535	17,057,478
Deposits and obligations (b)	4,272,516	4,100,031
Social benefits for workers and pensioners (c)	1,376,852	1,441,399
Time deposits (d)	206,296	213,102
Severance payment	78,256	78,318
Other obligations (e)	292,691	273,450
	42,686,878	**44,017,415**
Accrued interest payable (e)	101,611	101,034
Total	**42,788,489**	**44,118,449**

The Bank's policy is to remunerate checking accounts, savings deposits, time deposits, bank certificates and judicial and administrative deposits according to an increasing scale of interest rates, depending on the term and average balance held in such accounts. Additionally, as part of this policy, it was established that balances below a certain amount for each type of account do not generate interest.

The interest rates applied to the different deposit and debenture accounts are determined by the Bank taking into account mainly the interest rates in effect in the Peruvian financial market.

(a) Deposits in current accounts correspond mainly to those made by:

In thousands of soles	2022	2021
Private sector	6,994,893	6,806,409
Central Government	4,944,307	5,387,105
MEF	3,981,729	2,880,097
Public institutions	1,364,201	1,536,552
Local governments	1,656,612	1,523,529
Essalud	224,980	1,452,085
Regional government	946,910	754,594
State-owned companies	421,897	372,992
International organizations and others	93,203	140,274
Total	**20,628,732**	**20,853,637**

(b) As of December 31, 2022, it mainly corresponds to judicial and administrative deposits, guarantee deposits and judicial retentions for approximately S/ 3,686.43 million, S/ 498.55 million and S/ 87.49 million, respectively (2021: approximately S/ 3,381.54 million, S/ 632.54 million and S/ 85.95 million, respectively).

(c) The provision for social benefits represents the obligations assumed for indemnification rights for active employees, as well as the provision for retirement of former employees and active workers of the Bank. As of December 31, 2022 and 2021, the balance of this item comprises the following:

In thousands of soles	**2022**	**2021**
Retirement pensions - Decree Law 20530	1,372,314	1,437,675
Labor Regime - Law 4916	4,504	3,687
Labor Regime - Law 11377	34	37
	1,376,852	**1,441,399**

Retirement pensions correspond mainly to the present value of future payments of retirement pensions of employees and former employees of the Bank, under Decree Law 20530. These are life annuities received by pensioners for severance, disability, widowhood, orphanhood and ancestry. Pension operations have traditionally been considered within life actuarial operations; however, they have their own meaning and denomination, due to the economic importance and actuarial specialization they require. Considering the particularities of social welfare operations, they are defined as operations in which the probable period of risk coverage is the entire life of the plan participant.

On March 28, 2003, Supreme Decree 043-2003-EF was published, which establishes provisions for the registration of pension obligations of the Pension System of Decree Law 20530 and its amendments, which are not financed with resources from the Public Treasury. This Decree amends Supreme Decree 106-2002-EF, incorporating in the actuarial calculation of pensions the rules contained in Supreme Decree 026-2003-EF of February 27, 2003 and, as applicable, those of Accounting Resolution 159-2003- EF/93.01 of March 6, 2003 and other provisions issued by the General Directorate of Public Accounting, for purposes of recording and controlling pension obligations. In this regard, on January 30, 2017, Communiqué 002-2017-EF/51.01 of the General Directorate of Public Accounting of the MEF is issued, which establishes the accounting treatment of pension obligations.

The movement is the present value of the provision for retirement of pensioners and workers of Decree Law 20530 is as follows:

In thousands of soles	***Note***	**2022**	**2021**
Balance at the beginning of the year		1,437,675	1,531,979
Increase charged to personnel expenses	*21(a)*	89,028	62,424
Provisions, aliquots and pension allowances		2,446	2,837
Payments made to pensioners		(156,835)	(159,565)
Closing balance		**1,372,314**	**1,437,675**

As of December 31, 2022, the pension obligations decreased compared to 2021, due in part to the reduction in the number of pensioners from 4,681 as of December 31, 2021 to 4,525 pensioners as of December 31, 2022.

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

In thousands of soles	**2022**	**2021**
Discount rate	5.00%	4.67%
Useful life	16.06 years	16.44 years
Period of active service	0 years	0 years
Pensioners with end-of-year bonus	513	543
Pensioners with bonus	3,879	4,007
Pensioners without bonus	133	131
Active employees with bonus	2	4

The discount rate used is 5.00 percent as of December 31, 2022 and 4.67 percent as of 2021, in accordance with the Manual on the Methodology for the Calculation of Actuarial Reserves of the Provisional Systems Administered by the Social Security Normalization Office with Head Resolution 152-2021-ONP/JF. The determination of the rate is based on long-term liabilities and not on asset return methods; accordingly, the interest rate is equivalent to the long-term rate of the relevant yield curve for the Peruvian case.

Transitory rules for the application of the Annual Technical Interest Rate, as long as the ONP does not approve the regulations for the Annual Technical Interest Rate, the parameters indicated in Chief Resolution 134-2018-JEFATURA/ONP are maintained.

The mortality tables used in the actuarial calculations are the mortality tables defined as "Mortality Tables - SP 2005 (Peruvian)" for own right and healthy life condition right and the mortality tables called MI-85-H and MI-85-M when dealing with an invalid person, male or female, respectively, approved by the MEF through Ministerial Resolution 757-2006-EF/15 and constituted in its annex by Ministerial Resolution 146-2007-EF/15 of March 23, 2007.

In Article 3 "Maximum amount of pensions" of the law establishing the new rules of the pension regime of Legislative Decree 20530 - Law No. 28449 issued on December 30, 2014, it is mentioned that the maximum monthly amount of retirement pensions regulated by Law No. 20530 is two (2) Unidades Impositivas Tributarias - UIT. In this regard, as of December 31, 2022, the calculation of the pension reserves for pensioners has been made with a maximum pension amount equivalent to S/ 9,200 (2021: S/ 8,800).

(d) Other obligations with the public consist mainly of management checks, transfers payable and bank certificates for S/ 187.91 million, S/ 97.79 million and S/ 4.94 million, respectively (2021: S/ 159.26 million, S/ 103.31 million and S/ 5.18 million, respectively).

(e) As of December 31, 2022, accrued interest payable corresponds to judicial deposits and administrative deposits of approximately S/ 98.00 million and S/ 3.61 million, respectively (2021: approximately S/ 97.56 million and S/ 3.47 million, respectively).

The balance of time deposits classified by maturity is presented below:

In thousands of soles	2022	2021
Less than 3 months	101,231	104,097
From 3 months to 1 year	105,065	109,005
	206,296	**213,102**
Interest earned on time deposits	69	62
Total	**206,365**	**213,164**

12. Deposits with Financial Institutions and International Financial Institution

As of December 31, 2022, it includes demand deposits of S/ 471.21 million and savings deposits of S/ 2.18 million (2021: S/ 378.87 million and S/ 3.24 million).

Below we present demand deposits grouped by type of financial institution:

In thousands of soles	2022	2021
Fondo Mi Vivienda	216,153	213,671
Banking institutions (*)	192,038	95,551
Corporación Financiera de Desarrollo - COFIDE	25,629	26,680
Municipal cash offices	21,587	21,474
Financial institutions	12,946	17,271
Rural cash offices	4,417	5,153
Edpymes - Small and Microenterprise Development Entity	617	2,306
Trust services company	3	1
Total	**473,390**	**382,107**

(*) The balance of banking entities decreased mainly due to bank transfers made by a State entity depositing with the Bank for its operating activities, considering that the accounts held by such entity with the Bank are its main accounts for the execution of its operations.

Savings deposits consist mainly of deposits made by municipal and rural cash offices.

13. Outstanding Instruments and Liabilities

In 2016, the Bank carried out the First Issue of its First Subordinated Bonds Program for a total amount of S/ 250.00 million, which had a placement date of November 29, 2016. This caption comprises the following:

In thousands of soles	2022	2021
Subordinated bonds (a)	249,985	249,996
Interest payable	1,670	1,670
	251,655	**251,666**

These Bonds are backed solely by the Bank's (Issuer's) equity and have a term of 15 years, with a maturity date of November 30, 2031. The Bonds accrue a fixed annual nominal interest rate of 8 percent, and the interest payment period is 6 months. The entire principal amount of the Bonds will be amortized in a single payment, on the maturity date of the respective series. The subordinated bonds do not have specific guarantees and in accordance with the provisions of the SBS, they qualify as Tier 2 equity in the determination of effective equity. In the years 2022 and 2021, accrued interest on the subordinated bonds amounted to approximately S/ 19.99 million in both years. Principal and interest payments will be made through CAVALI.

14. Accounts Payable

This caption comprises the following:

In thousands of soles	**2022**	**2021**
Suppliers	221,178	194,908
Taxes collected and withheld (a)	151,013	152,272
Other accounts payable (b)	77,928	32,934
Group performance bonus	46,757	42,607
Workers' participation payable - statutory	34,020	14,408
Paid annual leave payable	19,680	20,148
Legal bonuses	2,091	-
Compensation and other accounts payable to employees	3,749	3,343
Other contributions	2,351	1,920
Others	161	167
	558,928	**462,707**

(a) During 2022, it corresponds to taxes collected at the national level by the Bank at the request of the Tax Administration - SUNAT amounting to S/ 138.31 million and taxes withheld by the Bank as a withholding agent for S/ 12.71 million; which were transferred to SUNAT in January 2022 (S/ 142.41 and S/ 9.86 million, respectively, as of December 31, 2021; which were transferred to SUNAT in January 2021).

(b) Sundry accounts payable mainly include obligations payable for refunds to be made to pensioners for S/ 7.93 million (S/ 7.97 million in 2021) for discounts on bonuses for time of service that are withheld until the Judicial Power orders the disbursement in their favor, sundry accounts payable for S/ 9.12 million (S/ 7.65 million in 2021), obligations derived from operations carried out through ATMs in the bank's establishments and other establishments pending confirmation for S/ 17. 78 million and S/ 4.53 million, respectively (S/ 3.33 million and S/ 0.13 million as of December 31, 2021, respectively), accounts payable by AFP for S/ 2.59 million (S/ 2.22 million in 2021), transfers to FEBAN for the welfare program for S/ 1.62 million (S/ 1.05 million in 2021), and other minor amounts for S/ 34.36 million (S/ 10.58 million in 2021).

15. Deferred Income Tax Assets, Net

This caption comprises the following:

In thousands of soles	Balance as of January 1, 2021	(Debit) credit to equity	(Debit) credit to profit or loss	Balance as of December 31 2021	(Debit) credit to equity	Credit (debit) to profit or loss	Balance as of December 31, 2022
Deferred asset							
Provision for direct loan losses	49,110	-	(1,083)	48,027	-	9,526	57,553
Provision for litigations and demands	28,959	-	(434)	28,525	-	(28,525)	-
Amortization of intangible assets	20,132	-	(3,004)	17,128	-	98	17,226
Provision for group performance bonus	12,407	-	162	12,569	-	1224	13,793
Investments at FVTPL	1,490	-	(1,490)	-	-	-	-
Provision for paid annual leave	6,445	-	(501)	5,944	-	(138)	5,806
Depreciation of fixed assets	6,243	-	239	6,482	-	2,373	8,855
Generic provision for contingent accounts receivable	3,150	-	810	3,960	-	1,660	5,620
Specific provision for contingent accounts receivable	93	-	32	125	-	(86)	39
Provision for impairment of fixed assets	1,699	-	-	1699	-	-	1,699
Provision for over indebtedness	-	2,110	(2,110)	-	-	2,382	2,382
Others	2,947	-	3	2,950	-	28	2,978
Total deferred assets	**132,675**	**2,110**	**(7,376)**	**127,409**	**-**	**(11,458)**	**115,951**
Deferred liabilities							
Unrealized results on available-for-sale investments	(5,907)	1,509	-	(4,398)	888	-	(3,510)
Depreciation of fixed assets	(4,629)	-	(446)	(5,075)	-	(485)	(5,560)
Exchange difference	(1,410)	-	(4,131)	(5,541)	-	(2,665)	(8,206)
Total deferred liabilities	**(11,946)**	**1,509**	**(4,577)**	**(15,014)**	**888**	**(3,150)**	**(17,276)**
Total deferred assets, net	**120,729**	**3,619**	**(11,953)**	**112,395**	**888**	**(14,608)**	**98,675**

16. Equity

A. Share capital

As of December 31, 2022 and 2021, the Bank's authorized capital amounts to thousands of S/ 1,596,169 and thousands of S/ 1,427,533; fully subscribed and paid by the Peruvian government, in accordance with Article 5 of the Bank's Bylaws.

In 2021, Supreme Decree 316-2021-EF dated November 15, 2021, approved the modification of the Bank's subscribed capital from S/ 1,200.00 million to S/ 1,600.00 million, through the capitalization of part of its profits corresponding to fiscal years 2020 and 2021 up to the amount of S/ 400.00 million, which will allow it to meet the growth of its placements. In this sense, by means of said Supreme Decree, the Bank was authorized to allocate the total of the profits for fiscal year 2020 that are pending transfer to the Public Treasury, to cover the authorized capital. The amount capitalized by the Bank in 2021 amounted to S/ 227.53 million.

Through Legislative Decree 1526, issued on March 1, 2022, measures were approved to strengthen the Bank's operation, including the possibility of increasing its capital and modifying its budget.

With Board of Directors' meeting 2404 of May 5, 2022, it was agreed to distribute the profits for the fiscal year 2021, after making the corresponding adjustments to the employees' profit sharing and income tax, which amounts to S/ 337.27 million as follows:

Capitalize the amount of S/ 168.64 million equivalent to 50% of net profits for the year 2021, maximum amount authorized by Article 40 of the Bank's Bylaws, approved by Supreme Decree 07-94-EF, in order to constitute the capital of S/ 1,600 million authorized by Supreme Decree 316-2021-EF.

In September 2022, transfer the remaining balance of the profits to the Public Treasury - Ministry of Economy and Finance, which amount to S/ 168.64 million.

No shares or securities of any kind are issued for the Bank's capital stock.

B. Legal reserve

In accordance with the applicable laws, the Bank is required to allocate at least 35% of its net profits to a legal reserve. This reserve is constituted through the annual transfer of no less than 10% of its net profits.

On July 5, 2022, the Board of Directors agreed to constitute a legal reserve of up to S/ 138.66 million corresponding to 35% of the paid-in capital, charged to the net profits generated by the fiscal year 2021, in accordance with article 67 of Law 26702, General Law of the Financial System and the Insurance System and the Organic Law of the SBS. This resolution modifies the resolution of session 2404 of May 5, 2022, which approves the transfer of S/ 168.64 million in the month of September 2022 as profits to the public treasury. The remaining balance for the fiscal year 2021 will be transferred to the public treasury after the establishment of the reserve.

C. Unrealized gains and losses

Unrealized results correspond to fluctuations due to changes in the fair value of investments classified as available-for-sale investments. The changes in unrealized profit or losses in 2022 and 2021, net of deferred income tax, were as follows:

In thousands of soles	***Note***	
Balance as of January 1, 2021		91,707
Transfer to income of net realized gain on available-for-sale investments	*20*	(7,689)
Unrealized loss on available-for-sale investments, net		(719,496)
Deferred income tax	*15*	1,509
Balance as of December 31, 2021		**(633,969)**
Transfer to income of net realized gain on available-for-sale investments	*20*	37,555
Unrealized loss on available-for-sale investments, net		(405,140)
Deferred income tax	*15*	888
Balance as of December 31, 2022		**(1,000,666)**

D. Retained earnings

At the 2404th board meeting held on May 5, 2022; it was agreed as follows:

- To distribute the profits for the 2021 fiscal year, after making the corresponding adjustments to the employees' profit sharing and income tax, which amount to S/ 337.27 million as follows:

- Capitalize the amount of S/ 168.64 million equivalent to 50% of net profits for the year 2021, maximum amount authorized by Article 40 of the Bank's Bylaws, approved by Supreme Decree 07-94-EF, in order to constitute the capital of S/ 1,600 million authorized by Supreme Decree 316-2021-EF.

- In the month of September 2022, transfer the remaining balance of the profits to the Public Treasury - Ministry of Economy and Finance, which amount to S/ 168.64 million. MEF, which amount to S/ 168.64 million.

On July 5, 2022, the Board of Directors agreed to constitute a legal reserve of up to S/ 138.66 million corresponding to 35% of the paid-in capital, charged to the net profits generated by the fiscal year 2021, in accordance with article 67 of Law 26702, General Law of the Financial System and the Insurance System and the Organic Law of the SBS. This resolution modifies the resolution of session 2404 of May 5, 2022, which approves the transfer of S/ 168.64 million in the month of September 2022 as profits to the public treasury. The remaining balance for the fiscal year 2021 will be transferred to the public treasury after the establishment of the reserve. The balance transferred for profit distribution, after capitalization and constitution of legal reserve, amounted to S/ 29.98 million.

At the 2353rd Board of Directors' meeting held on May 23, 2021, it was approved to distribute in favor of the Public Treasury 50 percent of the net profits for the period 2020 for approximately S/ 327,533.00 thousand, which were deposited in the current account of the Public Treasury on account of profits. Subsequently, by means of board meeting 2368 held on August 31, 2021, it was agreed to transfer S/ 100,000.00 thousand, which were deposited in the current account of the Public Treasury. Finally, by Supreme Decree 316- 2021-EF dated November 15, 2021, it was approved the capitalization of profits for the remaining balance of approximately S/ 227,533.00 thousand.

In 2022 and 2021, the Bank has recorded in the "Retained earnings" account various adjustments entries for the regularization of transactions corresponding to previous years, for approximately S/ 44.58 million and S/ 11.92 million, respectively. In this regard, the Bank, considering the materiality of the regularization adjustments and the corresponding coordination made with the SBS, recorded these adjustments of prior years' directly in the "Retained earnings" account of shareholders' equity as a movement of the year.

E. Regulatory capital

As of December 31, the composition of shareholders' equity is presented below:

In thousands of soles	**2022**	**2021**
Level 1		
Common stock	1,596,169	1,427,533
Plus		
Legal reserve	558,659	420,000
Donations	-	-
Less		
Unrealized loss on available-for-sale investments	(105,199)	(257,060)
Accumulated loss	(27,874)	(16,325)
Securities issued by companies in the financial system	(13,795)	(14,786)
	2,007,960	**1,559,362**
Level 2		
Plus		
Redeemable subordinated bonds	249,984	249,996
Generic provisions for loans and advances	153,851	123,687
Less		
Securities issued by companies in the financial system	(13,795)	(14,786)
	390,040	**358,897**
Total regulatory capital	**2,398,000**	**1,918,259**

In accordance with Legislative Decree 1028, the regulatory capital shall be equal to or greater than 10% of the total risk-weighted assets and indirect loans, which correspond to the sum of regulatory capital requirement for market risk multiplied by 10.0, regulatory capital requirement for operational risk multiplied by 10.0, and risk-weighted assets and indirect loans for credit risk.

As of December 31, 2022 and 2021, in application of Legislative Decree 1028, as amended, the Bank maintains the following amounts in relation to risk-weighted assets and contingent credits and effective equity (basic and supplementary), expressed in thousands of soles:

In thousands of soles	**2022**	**2021**
Total risk-weighted assets and loans	1,380,641	1,214,964
Stockholder's equity	2,398,001	1,918,259
Basic stockholder's equity	2,007,960	1,559,362
Supplementary stockholder's equity	390,040	358,897
Global regulatory capital ratio	15.33%	13.59%

As of December 31, 2022 and 2021, the Bank complied with SBS Resolutions 2115- 2009 "Regulation on Regulatory Capital Requirement for Operational Risk," 6328-2009 "Regulation on Regulatory Capital Requirement for Market Risk," and 14354-2009 "Regulation on Regulatory Capital Requirement for Credit Risk" and amendments. Such Resolutions mainly establish the methods that financial institutions shall use to calculate risk-weighted assets and indirect loans per risk.

SBS Resolution 8425-2011, dated July 20, 2011, states that, in order to determine the level of additional regulatory capital, financial institutions shall develop a process to assess the adequacy of their regulatory capital based on their risk profile, in accordance with the method described in such Resolution. The Resolution also states that the additional regulatory capital requirements shall be equal to the sum of regulatory capital requirements calculated for each of the following components: economic cycle, concentration risk, market risk concentration, interest rate risk in the banking book, and other risks.

As of December 31, 2022, the additional effective equity requirement estimated by the Bank amounts to approximately S/ 205.7 million (2021: S/ 181.90 million).

Through Resolution 3921-2021, dated December 2021, the SBS modified the calculation of the additional regulatory capital requirement due to market concentration, considering the criteria of size, interconnectedness, substitutability and complexity. Likewise, it establishes a 2-year term as of December 2022 to adjust the Bank's regulatory capital to the new requirements.

Through Resolution 1264-2020, dated March 26, 2020, the SBS required that the calculation of the regulatory capital requirement will not increase in relation to the weighting factor for rescheduled mortgage and consumer loans, whose maturity period was extended. Likewise, the Resolution authorizes financial institutions to use the additional regulatory capital accumulated by the component of the economic cycle.

Accordingly, the Bank allowed its customers to reschedule the loans. The rescheduling refers to the restructuring of repayment periods and/or the granting of grace periods, thus extending the original repayment period of the loan. However, as indicated by the SBS, the Bank did not require a higher capital requirement in relation to the weighting factor as a result of such extension.

In management's opinion, the Bank complies with the requirements set out in the Resolution.

17. Contingent Risks and Commitments

This caption comprises the following:

In thousands of soles	**2022**	**2021**
Contingent operations (Indirect loans) (a)		
Letters of guarantee	241,613	455,694
Letters of credit	1,475,728	444,333
	1,717,341	**900,027**
Unused credit lines and undisbursed loans granted (b)	2,872,720	3,006,809
Total contingent transactions	**4,590,061**	**3,906,836**

(a) In the normal course of business, the Bank enters into contingent transactions (indirect loans). These transactions expose the Bank to credit risks in addition to the amounts recognized in the statement of financial position. The risk of credit losses on letters of guarantee and letters of credit is represented by the amounts indicated in the contracts for these instruments.

The Bank applies the same policies it uses for direct lending when entering into contingent transactions, including obtaining collateral when deemed necessary. Collateral is diverse and includes deposits held in financial institutions, mortgages, securities or other assets.

Considering that most of the contingent operations (indirect credits) are due to mature without having to be paid, the total of contingent operations does not necessarily represent future cash requirements.

(b) Unused lines of credit and undisbursed loans granted do not correspond to commitments to extend credit. They mainly include consumer and corporate lines of credit, which are cancelable when the customer receives notice to that effect.

18. Interest Income and Expense

This caption comprises the following:

In thousands of soles	***Note***	**2022**	**2021**
Interest income			
Interest from loan portfolio		1,010,365	853,457
Total available-for-sale investments	*6(e)*	221,935	170,864
Interest on available funds		699,220	133,163
Interest on held-to-maturity investments	*6(g)*	231,528	128,153
Investments at FVTPL		-	200
		2,163,048	**1,285,837**
Interest expenses			
Interest and commissions on deposits and bonds		(43,863)	(42,782)
Interest on outstanding instruments and liabilities	*13*	(19,988)	(19,989)
Interest on outstanding instruments and liabilities		(88)	(94)
		(63,939)	**(62,865)**
Gross financial margin		**2,099,109**	**1,222,972**

19. Financial Service Revenue and Expense

This caption comprises the following:

In thousands of soles	2022	2021
Revenue from financial services		
Revenue from cash service (a)	477,301	419,571
Commission income from insurance sales	68,139	52,295
Revenues from tax collection services (b)	58,325	56,030
Commission income from VISA	41,056	35,767
Revenue from transfers services (c)	20,223	23,356
Revenue from savings accounts		
Revenues from Multired ATMs	5,865	7,280
Credit note commission	-	3,362
Revenue from savings accounts		
Revenue from commission Tax Authorities embargoes	11,151	11,665
Revenue from commission - new Multired card	10,899	11,290
Revenue from collections	9,786	8,075
Revenue from secondment - FISE	7,295	6,820
Commission withdrawal of charge notes	401	4,411
Revenue from contingent operations	3,952	3,904
Revenue from exchange of checks received from other banks	4,720	3,873
Revenues from penalties for payment to suppliers	5,506	2,404
Services for shared facilities	1,867	1,845
Revenue from certificate commissions	5	11
Others (d)	50,674	49,827
	777,165	**701,786**
Financial service expenses		
Transportation, custody and administration of instruments	(136,247)	(142,270)
Credit and debit cards	(144,698)	(126,323)
Mobile banking	(40,025)	(49,544)
Omnichannel Banking Service	(15,989)	(9,385)
Core Banking Service	(19,384)	(7,915)
Home payment service - ONP	(7,112)	(5,691)
Other financial services	(28,541)	(18,217)
	(391,996)	**(359,345)**

In 2022, revenues from cash services correspond mainly to commissions for collection services for the General Directorate of the Public Treasury for S/ 427.16 million and correspondent services for S/ 49.37 million (2021: S/ 374.62 million and S/ 44.13 million). In 2021, there has been an increase in the amount collected, highlighting the teleprocessing service (DGTP) in SUNAT and Customs taxes, given the conditions for the economic reactivation of Peru with respect to the year 2020.

In 2022, revenues from tax collection services correspond to the collection of taxes administered by SUNAT for S/ 24.83 million and the collection of fees corresponding to other entities (National Police of Peru, Judicial Power, ONP, among others) for S/ 33.49 million (2021: S/ 22.26 million and S/ 33.77 million, respectively).

In 2022, the income from transfer services corresponds to the commissions for the wire transfer system service for S/ 6.28 million, correspondent wire transfer service for S/ 4.35 million and S/ 4.35 million, among others. S/ 4.35 million and fund transfer service for S/ 9.59 million (2021: S/ 7.65 million, S/ 5.60 million and S/ 10.11 million, respectively).

In 2022, other income from financial services mainly corresponds to interbank transfer fees of S/ 13.13 million, current account fees of S/ 4.93 million, trust service fees of S/ 5.09 million, massive savings account deposits of S/ 2. 84 million, multi-float service commission of S/ 1.07 million, statement of account commission of S/ 1.74 million, commission for BN ATM customers of S/ 4.93 million, other transaction commissions of S/ 1.04 million, commission for use of ATMs of S/ 2. 67 million and ONP home payment service for S/ 7.11 million (2021: S/ 17.24 million, S/ 5.20 million, S/ 5.15 million, massive credits to savings accounts for S/ 2.53 million, multi-float service commission for S/ 1.11 million, savings accounts - account statement commission for S/ 1. 59 million, commission for BN ATM customers for S/ 1.79 million, other transaction commissions for S/ 1.07 million, commission for ATM use for S/ 2.65 million and ONP home payment service for S/ 6.26 million respectively); among others.

20. Result from Financial Transactions

This caption comprises the following:

In thousands of soles	***Note***	**2022**	**2021**
Net gain on available-for-sale investments	*16(c)*	(37,555)	7,689
Net gain on foreign exchange difference and foreign exchange operations		104,406	73,945
Unrealized gain on investments at FVTPL		-	1,042
		66,851	**82,676**

21. Administrative Expenses

This caption comprises the following:

In thousands of soles	**2022**	**2021**
Personnel and Board of Directors expenses (a)	(611,064)	(551,155)
Services received from third parties (b)	(368,005)	(365,284)
Taxes and contributions	(138,422)	(121,651)
Total	**(1,117,491)**	**(1,038,090)**

(a) Personnel and Board of Directors expenses are as follows:

In thousands of soles	***Note***	**2022**	**2021**
Compensations		(223,467)	(227,366)
Pensions of pensioners	*11(c)*	(89,028)	(62,424)
Legal bonuses		(45,563)	(44,119)
Group performance bonus		(40,000)	(40,000)
Allocations		(38,570)	(31,881)
Special bonuses (*)		(39,748)	(24,289)
Incentive retirement plan (**)		-	(23,957)
Severance payment		(23,870)	(23,463)
Social security contributions		(23,387)	(23,081)
Employees' profit sharing - statutory		(33,787)	(14,408)
Collective bargaining bonus		(13,791)	-
Extra hours		(13,206)	(11,745)
Travel expenses		(7,752)	(6,064)
Uniforms		(5,735)	(5,178)
Extraordinary bonuses		(1,311)	(1,302)
Other expenses		(11,849)	(11,878)
Total		**(611,064)**	**(551,155)**
Number of employees		**5,160**	**4,856**

(*) In December 2022 an extraordinary bonus was approved for full-time employees (4,134 employees) for an indefinite and definitive term in the amount of S/ 9,500, which was paid during the month of December 2022.
(**) No Incentive Retirement Plan was approved in 2022. By means of Board of Directors' Meeting No. 2381 dated November 26, 2021, the Board of Directors approved the Guidelines of the Incentive Retirement Plan 2021. In this regard, employees between the ages of 60 and 69 with indefinite contract and who decided to take advantage of this benefit submitted their retirement requests, which were evaluated by the Bank's Evaluation Committee and paid according to the assigned budget.

(b) Below is the composition of the expenses for services received from third parties:

In thousands of soles	**2022**	**2021**
Repairs and maintenance, and cleaning services	(116,871)	(109,045)
Service leasing expenses	(80,342)	(96,731)
Communications and other utilities	(55,582)	(54,489)
Security and insurance contracts	(44,165)	(33,459)
Lease of property and other assets	(20,804)	(19,709)
Professional services	(16,972)	(13,826)
Print services	(2,945)	(3,855)
Transport and courier services	(3,391)	(2,108)
Other services	(26,933)	(32,062)
	(368,005)	**(365,284)**

22. Valuation of Assets and Provisions

This caption comprises the following:

In thousands of soles	2022	2021
Provisions for litigations and demands, net	(186,801)	(29,161)
Loss on COFIDE funds (b)	(12,120)	(18,128)
Loss allowance for accounts receivable	(2,575)	(161)
Reversal, net of additions, for impairment of property, plant and equipment	-	-
Provision for direct loan losses	(6,719)	(1,897)
Others	1,035	(144)
	(207,180)	**(49,491)**

For the year ended December 31, 2022, provisions for litigation and claims mainly comprise provisions for labor and civil lawsuits for S/ 185.77 million and S/ 0.41 million, respectively, net of a reversal of S/ (1.99) and exchange difference for S/ 0.62 million (2021: mainly S/ 44.62 and S/ 2.21 million, respectively, net of a reversal of S/ 17.67).

In 2022, corresponds to losses in the FAE-MYPE Fund for S/ 7.02 million, and the CRECER Fund for S/ 6.70 million, note 8(b). In 2021, it corresponds to the loss in the FAE-MYPE Fund for S/ 16.96 million, net of the gain in the CRECER Fund for S/ 1.17 million, respectively.

23. Other Income, Net

This caption comprises the following:

In thousands of soles	2022	2021
Other income		
Transfer and custody service to MINEDU (a)	7,648	11,920
Lease income	4,263	2,122
Indemnity payments for claims	858	698
Sale of foreclosed assets	-	473
Income tax refund plus interest (b)	35,012	391
Other income	2,990	1,449
	50,771	**17,053**
Other expenses		
Transfer and custody service to MINEDU (a)	(6,866)	(10,833)
Losses and claims not covered by insurance	(12,707)	(5,024)
Administrative and tax sanctions	(6,528)	(2,799)
Donations	(795)	(934)
Other expenses	(388)	(298)
	(27,284)	**(19,888)**
Other income, net	**23,487**	**(2,835)**

(a) In 2022, the Bank provided services to the Ministry of Education (MINEDU) for the custody and transfer of tests to the evaluation sites nationwide for the Public Competition for Admission to the Public Teaching Career 2021, whose agreement was signed in May 2021. To provide this service, the Bank subcontracted Empresas Transportadoras de Valores.

(b) By means of Intendancy Resolution 012-180-0028970/SUNAT dated August 25, 2022, SUNAT ordered the refund of the third category income tax paid in excess by the Bank corresponding to the annual tax return for the period 2015 in the amount of S/ 54.14 million (S/ 39.63 million of capital plus S/ 14.51 million of interest).

24. Tax Matters

A. The Bank is subject to the Peruvian tax law. As of December 31, 2022 and 2021, the corporate income tax is calculated on the basis of the net taxable profits determined by the Bank at a rate of 29.5%.

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

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

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

B. In accordance with current tax law in Peru, non-domiciled subjects pay taxes only on their Peruvian source income. In general terms, revenue obtained by non-domiciled individuals from the services rendered in the country shall be subject to a 30% income tax on gross income, provided that no double tax treaties are applicable. On this concern, Peru has currently entered into double tax treaties with the Andean Community, Chile, Canada, Brazil, Portugal, Switzerland, Mexico, Japan and South Korea.

For the purposes of technical assistance services or digital services provided by non-domiciled individuals in favor of domiciled individuals, the place of provision of these will be indistinct and in all cases will be taxed with Income Tax at a rate of 15% and 30%. on a gross basis, respectively, this as long as the application of the CDI does not apply, so withholding tax would not apply. Technical assistance shall be subject to a 15% applicable rate, provided that Income Tax Law requirements are met. As indicated in the previous paragraph, the withholding tax rate in these cases may vary or even the withholding tax may be inapplicable in case the provisions of a current CDI are resorted to.

Income tax determination

C. As of December 31, 2022 and 2021, it corresponds to the following:

In thousands of soles	**2022**	**2021**
Current income tax	189,375	80,757
Deferred tax	14,608	11,953
	203,983	**92,710**

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

	2022		2021	
In thousands of soles	**PEN (000)**	**%**	**PEN (000)**	**%**
Profit before tax	**1,090,116**	**100**	**447,180**	**100**
Implicit cost	321,584	29	131,918	30
Effect of non-deductible expenses				
Common expenses related to non-taxable and exempt income	97,554	9	49,142	11
Other non-deductible expenses	145,215	13	40,850	9
Effect of non-taxable income				
Interest not taxable	(338,672)	(31)	(126,069)	(28)
Sale of non-taxable securities	11,594	1	(1,770)	-
Other non-taxable income	(33,292)	(3)	(1,361)	-
Current deferred tax	**203,983**	**19**	**92,710**	**21**

Temporary tax on net assets

D. The Bank is subject to the temporary tax on net assets, whose tax base is composed of the prior period adjusted net asset value less depreciations, amortizations, legal reserve requirements and specific loss allowance. The tax rate is 0.4% for the years 2022 and 2021 and is applied to the amount of net assets exceeding S/ 1 million. It may be paid in cash or nine consecutive monthly installments. The paid amount may be used as a credit against income tax paid for tax periods from March to December of the taxable year in which the tax was paid until maturity date of each down payment, and against the payment for regularization of income tax of the relevant taxable year. In the event a remaining balance is not applied, its refund could be requested. In 2022, the Bank determined that the temporary tax on net assets amounts to S/ 190,376 thousand (2021: S/ 176,904 thousand).

Financial transaction tax

E. Financial transaction tax for the years 2022 and 2021 was fixed at the rate of 0.005%. This tax is applicable to debits and credits in bank accounts or movements in funds made through the financial system, unless the account is tax-exempt.

Transfer pricing

F. For income tax purposes, the transfer prices of transactions with related companies and with companies resident in territories with low or no taxation, non-cooperating and preferential regimes, must be supported with documentation and information on the valuation methods used and the criteria considered for their determination. Until taxable year 2016, formal obligations of transfer pricing were the presentation of a transfer pricing sworn statement and a technical study.

Legislative Decree 1312, published on December 31, 2016 and effective as of January 1, 2017, established the following formal obligations to replace the former ones: (i) file the Local File information affidavit (subject to materiality limits), (ii) file the Master File information affidavit (subject to materiality limits) and (iii) file the Country-by-Country Report information affidavit. The presentation of the Master File and Country-by-Country Report will become mandatory in taxable period 2018.

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

Thus, the deadline for the presentation of the Local File for the taxable year 2021 shall be June 2022, in accordance with the maturity schedule published by the Tax Authorities. The Local File for the taxable year 2021 shall be presented in June 2022, in accordance with the schedule of monthly tax liabilities agreed upon for May and published by the Tax Authorities.

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

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

Tax Authorities' Resolution 163-2018-SUNAT, published on June 29, 2018, approved the Electronic Form 3560 for presentation of the Master File and the Electronic Form 3562 for presentation of the Country-by-Country Reporting, establishing the deadlines for its presentation and the content and format that shall be included therein.

The Master File for the taxable year 2021 shall be presented in October 2022, in accordance with the schedule of monthly tax liabilities agreed upon for September and published by the Tax Authorities.

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

As of December 31, 2022 and 2021, the Bank is required to present the Local File.

Based on the business analysis, it is the opinion of management and its legal advisors that no significant contingencies will arise as of December 31, 2022 and 2021 from the application of such regulations.

Tax assessment

G. The Tax Authorities are entitled to audit and, if applicable, to correct the income tax calculated by the Fund within the 4 years following the year of the tax return filing. The Bank's income and sales tax returns for the years from 2017 to 2022 are open for review by the Tax Authorities. As of the reporting report date, the Tax Authority has initiated the review of the corporate income tax for the fiscal year has not initiated the review of the corporate income tax for the fiscal year 2017 to 2022.

For the fiscal year 2015, the Tax Authorities issued Income Tax Determination Resolutions where it verifies the existence of the Third Category Income Tax credit balance in the amount of S/ 39.63 million for which a refund request was made, which was declared admissible, issuing a non-negotiable check for the amount requested, plus late payment interest.

Therefore, in the opinion of management and its legal advisers, these tax processes and the years pending tax review should not result in significant liabilities that would impact the Fund's financial results, in accordance with IFRIC 23.

Through Supreme Decree 044-2020-PCM, the Peruvian government declared a national state of emergency. Accordingly, it suspended the limitation period of the Tax Authorities' supervision power from March 16, 2020 to June 10, 2020—i.e., a period of 87 calendar days.

Due to the possible interpretations of the current laws by the Tax Authorities, it is not possible to determine, to date, whether a future tax assessment will result in liabilities for the Fund. Therefore, any major tax or surcharge that might arise from eventual tax assessments would be applied to profit or loss when they are determined. However, it is the opinion of management and its legal advisors that any possible additional settlement of taxes would not be significant for the financial statements as of December 31, 2022 and 2021.

Uncertainty over income tax treatments

H. In accordance with IFRIC 23, the Bank assessed its uncertain tax treatments and concluded, based on its assessment of tax compliance and transfer pricing, that it is probable that the Tax Authorities will accept its uncertain tax treatment. The Interpretation did not have an effect on the Bank's financial statements as of December 31, 2022 and 2021.

Sales tax regime

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

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

Major amendments to tax laws effective for periods beginning on January 1, 2021

New accrual concept

J. Legislative Decree 2019 introduced the definition of legal accrual for income tax purposes, stating that: a) revenue from transfer of goods occurs when i) control has been transferred (under IFRS 15); or ii) risk has been transferred to the acquirer (Risk Theory set out in the Civil Code), whichever occurs first; and b) revenue from rendering the service occurs when realization level of the rendered service has been established.

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

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

Deduction of expenses or costs incurred in transactions with non-domiciled individuals

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

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

Indirect loans

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

Measures to implement the General Anti-avoidance Rule provided in the Regulation XVI of Tax Code

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

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

Through Resolution 000184-2021/SUNAT, published on December 13, 2021, the members of the Review Committee of the Tax Authorities (SUNAT) were appointed, in accordance with the Article 62-C of the Consolidated Text of the Tax Code. It states that, when applying the General Anti-avoidance Rule in an audit, a report and the auditor's report shall be submitted to the Review Committee.

Joint and several liability of legal representatives and directors

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

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

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

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

P. **Information related to ultimate beneficiaries**

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

Tax Authorities' Resolution 041-2022/SUNAT, effective as of March 25, 2022, introduced new individuals required to present the informative sworn statement in the years 2022 and 2023, provided that they did not present such statement in December 2019.

The legal entities are required to present the informative sworn statement in accordance with the maturity schedule of monthly obligations of December 2022. However, Tax Authorities' Resolution 000278-2022/SUNAT, postponed the maturity date to December 2023.

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

Q. **Indirect transfer of shares**

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

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

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

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

R. **Depreciation of assets**
Legislative Decree 1488 established a special depreciation regime and modified depreciation periods by increasing depreciation rates for assets acquired during the years 2020, 2021 and 2022 to promote private sector investment and provide greater liquidity given the economic outlook due to the COVID-19 pandemic.

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

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

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

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

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

- The term of tax exemptions included in Appendixes I and II of the Sales Tax Law was extended until December 31, 2025. Consequently, the sale of staple food and basic services—e.g., public transport, among others—will not be subject to sales tax. For more information: See Law 31651

- The issuance of e-money will not be subject to sales tax until December 31, 2024. For more information: see Legislative Decree 1519.

- The refund of taxes on acquisitions through foreign donations from and imports from diplomatic missions will be effective until December 31, 2024. For more information: see Legislative Decree 1519.

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

Likewise, Law 28194 "Law on the Fight against Tax Evasion and the Formalization of the Economy" was modified through Legislative Decree 1529, effective as of April 1, 2022, regarding the instances where the use of payment methods is applicable, the minimum amount required to use payment methods and the obligation to notify the Tax Authorities about payments made to third parties other than the creditor.

25. Classification of Financial Instruments

The following financial assets and liabilities are classified into a measurement category under IFRS 39:

	As of December 31, 2022						As of December 31, 2021					
In thousands of soles	**Loans and accounts receivable**	**Available-for-sale**	**Held-to-maturity**	**At FVTPL**	**Financial liabilities measured at amortized cost**	**Total**	**Loans and accounts receivable**	**Available-for-sale**	**Held-to-maturity**	**At FVTPL**	**Financial liabilities measured at amortized cost**	**Total**
Financial assets												
Cash and due from banks	25,198,499	-	-	-	-	25,198,499	28,595,559	-	-	-	-	28,595,559
Available-for-sale investments	-	4,570,661	-	-	-	4,570,661	-	7,098,960	-	-	-	7,098,960
Held-to-maturity investments	-	-	5,699,275	-	-	5,699,275	-	-	2,457,739	-	-	2,457,739
Loan portfolio, net	9,360,002	-	-	-	-	9,360,002	7,313,357	-	-	-	-	7,313,357
Accounts receivable, net	346,024	-	-	-	-	346,024	332,766	-	-	-	-	332,766
Other assets, net	387,164	-	-	-	-	387,164	472,378	-	-	-	-	472,378
	35,291,689	**4,570,661**	**5,699,275**	**-**	**-**	**45,561,625**	**36,714,060**	**7,098,960**	**2,457,739**	**-**	**-**	**46,270,759**
Financial liabilities												
Obligations with the public	-	-	-	-	42,788,489	42,788,489	-	-	-	-	44,118,449	44,118,449
Deposits with financial institutions	-	-	-	-	473,390	473,390	-	-	-	-	382,107	382,107
Outstanding instruments and liabilities	-	-	-	-	251,655	251,655	-	-	-	-	251,666	251,666
Accounts payable	-	-	-	-	558,928	558,928	-	-	-	-	462,707	462,707
Other liabilities	-	-	-	-	261,598	261,598	-	-	-	-	356,364	356,364
	-	**-**	**-**	**-**	**44,334,060**	**44,334,060**	**-**	**-**	**-**	**-**	**45,571,293**	**45,571,293**

26. Financial Risk Management

The Bank is exposed to market risks arising from interest rate and foreign exchange positions; as well as liquidity, operational and credit risks, all of which are exposed to general and specific market movements. These risks are managed through the process of identification, measurement and continuous monitoring, subject to risk limits and other controls.

The Bank's overall risk management program focuses primarily on credit risk, whereby the Bank seeks to minimize the potential adverse effects of credit risk on its financial performance.

Management is aware of the current market conditions and, based on its knowledge and experience, reviews, agrees and monitors the risks following the policies approved by the Board of Directors. Under IFRS 7, the independent risk management does not include business risks—e.g., changes in the environment, technology and industry. Those risks are monitored through the Bank's strategic planning process.

Structure and organization of risk management

The Bank's risk management policies, which include risk hedging and mitigation policies, are based on the respective risk management regulations. Thus, we have regulations for the management of credit, operational, market, liquidity and country risk. In addition, specialized committees report on the management of each of the risks to which the Bank is exposed.

The Bank's Board of Directors is ultimately responsible for identifying and controlling risks; however, there are different separate and independent bodies responsible for risk management and monitoring, as explained below:

i. Board of Directors

The Board of Directors is the most senior organizational unit responsible for the overall direction and control of the Bank's financial and administrative operations.

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

ii. Risk Committee

The Risk Committee is responsible for the strategy used for risk mitigation, as well as the approval of the objectives, guidelines, policies, procedures and methodologies for the identification and management of risks, among others. It is also responsible for supporting actions to ensure the Bank's financial economic viability to face the risks to which it is exposed.

The Risk Committee reports to the Board of Directors and is made up of only three (3) members of the Board of Directors, one of whom must not hold an executive position in the company and must preside over it.

iii. Audit Committee

The Audit Committee is the coordinating body between the Board of Directors and the Institutional Control Body established to oversee the proper functioning of the internal control system.

The Audit Committee reports to the Board of Directors and its main purpose is to ensure that the accounting and financial reporting processes are appropriate, as well as to inform the Board of Directors about the implementation of recommendations issued by the SBS and the Comptroller General of the Republic; and those that may be warranted by the Bank's audits, verifying the implementation of the actions. The Committee meets periodically, at least once a month.

The Audit Committee is made up of three members of the Board of Directors who do not perform management activities in the Bank, one of whom chairs the Committee, and another member is appointed as vice-chairman.

iv. Assets and Liabilities Management Committee

The Assets and Liabilities Management Committee is formed to define and manage the structure of the Assets and Liabilities of the Bank's statement of financial position, and to monitor liquidity risk through the analysis of indicators that reflect the results of the business and investment strategies, with the objective of maximizing profitability considering the level of risk assumed and ensuring that the company has sufficient resources to face a set of unexpected events that affect its liquidity, such as the loss or reduction of sources of financing.

This committee is made up of the CEO, General Manager, Finance and Treasury Manager, Product and Financial Inclusion Manager, Risk Manager, Economic and Financial Studies Assistant Manager, Money Desk Assistant Manager, and Credit and Financial Risk Assistant Manager, who meet at least once a month to discuss matters related to asset and liability management.

v. Credit Committee

The Credit Committee is an autonomous body for the approval of direct and indirect corporate loans, mortgage loans or other credit facilities in accordance with the limits established by the Board of Directors.

It is made up of the Executive President, who chairs it, the General Manager, the Manager of Products and Financial Inclusion, who acts as Secretary of the Committee, and the Risk Manager as an observer with no voting rights; employees that the Committee deems appropriate may also be invited to participate.

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

vi. General Management

The General Manager's mission is to manage the Bank's activities, as well as to resolve matters requiring his intervention, in accordance with the resolutions of the Board of Directors, and to represent the Bank in judicial and administrative matters.

Likewise, one of the main powers and duties of the General Manager is to plan, program, organize and supervise the activities and operations of the Bank's branches, in accordance with the policies established by the Board of Directors, being able to delegate part of his authority to other management officers of the Head Office or to the Heads of the decentralized agencies (Regional Managers).

Risk measurement and reporting system

The risk monitoring and management are mainly performed based on the limits established by the Bank. These limits reflect the Bank's business strategy and market environment, as well as the risk exposure level that the Bank is willing to assume. Likewise, the Bank monitors and measures the total risk tolerance level in relation to the total risk exposure level in its business activities, based on the types of risks.

The obtained information is reviewed and processed in order to analyze, control and identify risks on a timely basis. This information is presented and explained to the Risk Committee, the Assets and Liabilities Committee and the Credit Committee. The report includes the total credit risk exposure, credit risk projections, credit risk retention exceptions, Value-at-Risk (VaR), liquidity ratios, and changing risk profile. Management assesses on an ongoing basis the relevance of the fair value of investments and the adequacy of the provision for loan losses.

Risk mitigation and hedging

The Bank, in order to mitigate the risks to which it is exposed and their concentrations, has established a series of measures, among which the following stand out: (i) Policies, procedures, methodologies and parameters to identify, measure, control and report risks, (ii) Review and evaluation of risk concentrations, through the Risk Committee, (iii) Timely monitoring and follow-up of risks and their maintenance within the defined tolerance levels and, (iv) Compliance with internal limits to counterparty concentrations.

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

Risk concentration

The risk concentrations arise when a number of borrowers are engaged in similar business activities, or activities in the same geographical area, or have similar economic conditions, policies or others. Likewise, the risk concentrations indicate the sensitivity of the Bank's performance with the characteristics affecting a particular industry or geographical location.

The Bank's policies and procedures include specific guidelines to focus on holding a diversified loan portfolio to avoid an over-concentration of risks. In addition, specialized committees report on the management of each of the risks to which the Bank is exposed.

Credit risk

The Bank adopts positions subject to credit risk. Credit risk is the risk that a financial loss will be incurred if a borrower to a financial instrument fails to meet its contractual obligations. The Bank's activities are mainly exposed to credit risk. Therefore, management controls carefully its exposure to credit risk. The exposure to credit risk mainly arises from financing activities related to loans.

The Bank grants loans to its clients, mainly to Public Sector workers and pensioners, Local and Regional Governments, Intermediary Institutions (Banks, Financial Institutions, Rural and Municipal Savings Banks, and Edpymes) and public sector entities. The largest concentration of loans is oriented to Public Sector Workers and Pensioners.

Likewise, the Bank establishes the credit risk exposure level that it assumes by setting out limits on the risk exposure accepted in relation to a borrower or group of borrowers. Such risk is monitored and reviewed on an ongoing basis. The limits on the risk exposure level per borrower and good are approved by the Board of Directors.

The exposure to credit risk is managed through an assessment of the borrower's ability to meet the payments of principal and interest, continuous analysis of the borrower's payment behavior (mainly consumer loans) and changes in the loan limits, when appropriate. Other specific control measures are listed below:

- Warranties
  The Bank has a set of policies and practices to mitigate credit risk. The most traditional of these is to request collateral for loans, which is common practice. The Bank implements policies on the acceptability of specific types of collateral or credit risk mitigation. The main types of collateral for loans are as follows:

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

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

  - For loans granted to Financial Intermediation Institutions, the Bank requests as collateral the signing of a promissory note, the assignment of rights over the loan portfolio or the constitution of collateral over the loan portfolio classified in the "Normal" category, which is equivalent to the amount of the loan granted.

  - For corporate loans, the Bank requests collateral deposits, letters of guarantee, ordinary budgetary resources, according to the legal framework in force.

  Guarantees are classified as self-liquidating preferred guarantees, very rapid realization preferred guarantees and preferred guarantees, as established in SBS Resolution 11356-2008, note 2(e).

  Management monitors the market value of collateral, requests additional collateral in accordance with the underlying contract and monitors the market value of the pledge obtained during the review of the adequate allowance for loan losses. As part of the Bank's policies, repossessed assets are sold. The proceeds from the sale are used to reduce or write off the outstanding receivable. In general, the Bank does not use recovered assets for operational purposes.

  The Risk Committee sets out general credit policies for each of the activities in which the Bank chooses to participate.

As December 31, 2022 and 2021, the maximum exposure to credit risk, before considering the effect of guarantees received, is the carrying value of each of the classes of financial assets mentioned in note 23 and the contingent transactions detailed in note 16(a).

Management is confident in its ability to continue to control and maintain a minimum credit risk exposure for its loan and investment portfolio taking into account the following:

- 96.5 percent of the loan portfolio (direct and indirect) is classified in the top two levels of the classification system established by the SBS as of December 31, 2022 (2021: 95.71 percent);
- 97.5 percent of the gross loan portfolio is considered neither past due nor impaired as of December 31, 2022 (2021: 97.53 percent);
- 0.52 percent of the non-retail credit portfolio has a sovereign risk at December 31, 2022 (2021: 1.35 percent). Sovereign credit is considered as sovereign credit to the MEF, whose exposure at the end of 2022 was S/ 60.4 million.
- 100 percent of investments classified in Peru or abroad are at least investment grade (BBB- or higher) as of December 31, 2022 and 2021;
- 7.17 percent and 91.45 percent of available funds represent the amounts deposited in the vaults of the Bank and the Central Reserve Bank of Peru - BCRP, respectively, as of December 31, 2022 (2021: 7.73 percent and 91.25 percent).

Credit risk management in loans
The Bank classifies all of its loans in five risk categories in accordance with paragraph 2, Chapter II of SBS Resolution 11356-2008, which considers the degree of risk of default in the payment of each debtor. The categories used by the Bank are: (i) Standard, (ii) With potential problems, (iii) Substandard, (iv) Doubtful, and (v) Loss, and have the following characteristics:

i. Standard: Non-retail debtors are classified in this category when they have a liquid financial position, a low level of equity indebtedness, the capacity to generate profits and their cash flow generation allows them to meet their obligations and also meet their obligations on time. Likewise, retail debtors are classified in this category when they meet their obligations on time or are up to 8 days overdue. On the other hand, debtors with mortgage loans are classified in this category when they comply with the established schedule or are up to 30 days late.

ii. With potential problems Non-retail borrowers are classified in this category when they present a good financial and profitability situation, with moderate equity indebtedness and adequate cash flow for the payment of principal and interest debts, the cash flow could weaken in the next twelve months to face possible payments. Likewise, retail borrowers are classified in this category when they are 9 to 30 days past due, while mortgage borrowers are classified in this category when they are 31 to 60 days past due.

iii. Substandard: Non-retail debtors are classified in this category when they are in a weak financial position and their cash flow does not allow them to make full payment of principal and interest, or when they are 60 to 121 days past due. Likewise, retail borrowers are classified in this category when they are 31 to 60 days past due, while mortgage borrowers are classified in this category when they are 61 to 120 days past due.

iv. Doubtful: Non-retail debtors are classified in this category when they are in a critical financial situation that does not allow them to pay either principal or interest, have high equity indebtedness, and are forced to sell important assets, or are 120 to 365 days past due; in this category the recoverability of the loan is uncertain. Likewise, retail debtors are classified in this category when they are 61 to 120 days past due, while mortgage debtors are classified in this category when they are 121 to 365 days past due.

v. Loss: Non-retail debtors are classified in this category when their financial situation does not allow them to comply with refinancing agreements, the company is not operating or is in liquidation, and they are more than 365 days in arrears. Likewise, retail debtors are classified in this category when they are more than 120 days past due, while mortgage debtors are classified in this category when they are more than 365 days past due.

With respect to the evaluation of the loan portfolio, the Bank classifies debtors in the risk categories established by the SBS and in accordance with the classification criteria established for each type of loan, i.e., for non-retail, consumer and mortgage loans. The classification of debtors in the corresponding categories is determined following the criteria of SBS Resolution 11356-2008 note 2(e).

When a loan is uncollectible, it is written off against the related allowance for doubtful accounts. Such loans are written off after all necessary legal procedures have been completed and the write-off has been approved by the Board of Directors, in accordance with SBS Resolution 11356-2008. The subsequent recovery of the amounts previously written off decreases the amount of the allowance for doubtful accounts in the statement of comprehensive income.

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

(i) neither past due nor impaired loans, which comprise direct loans of customers rated as Standard or With potential problems; (ii) past due but not impaired loans, which comprise loans past due of customers rated as Standard or With potential problems; and (iii) impaired loans, which comprise loans past due of customers rated as Substandard, Doubtful or Loss. Also, the Bank recognizes a provision for loan losses per type of loan.

	As of December 31, 2022						As of December 31, 2021					
In thousands of soles	**Wholesale loans**	**Small-business and micro-business loans**	**Consumer loans**	**Mortgage loans**	**Total**	**Percentage (%)**	**Wholesale loans**	**Small-business and micro-business loans**	**Consumer loans**	**Mortgage loans**	**Total**	**Percentage (%)**
Neither past due nor impaired												
Standard	2,670,129	-	6,157,538	508,114	9,335,781	100.43	2,150,513	11,006	4,758,765	363,440	7,283,724	100.08
With potential problems	-	-	86,354	1,525	87,879	0.95	10,227	120	98,475	604	109,426	1.50
Past due but not impaired												
With potential problems	-	-	-	7	7	-	-	-	-	3	3	-
Impaired												
Substandard	-	-	51,700	1,020	52,720	0.57	3,320	27	35,380	1,830	40,557	0.56
Doubtful	-	-	112,049	4,061	116,110	1.25	44	42	99,680	3,247	103,013	1.42
Loss	6,653	1,029	211,256	2,513	221,451	2.38	6,726	696	176,070	2,340	185,832	2.55
Gross	**2,676,782**	**1,029**	**6,618,897**	**517,240**	**9,813,948**	**105.58**	**2,170,830**	**11,891**	**5,168,370**	**371,464**	**7,722,555**	**106.11**
Less: provision for doubtful accounts	39,973	1,029	468,209	9,365	518,576	(5.58)	37,777	819	398,195	7,848	444,639	(6.11)
Total net	**2,636,809**	**-**	**6,150,688**	**507,875**	**9,295,372**	**100.00**	**2,133,053**	**11,072**	**4,770,175**	**363,616**	**7,277,916**	**100.00**

Details of the gross amount of impaired loans by type of loan, together with the fair value of the related collateral and the amounts of the provision for net direct loans, are as follows:

	As of December 31, 2022					As of December 31, 2021				
In thousands of soles	**Wholesale loans**	**Small-business and micro-business loans**	**Consumer loans**	**Mortgage loans**	**Total**	**Wholesale loans**	**Small-business and micro-business loans**	**Consumer loans**	**Mortgage loans**	**Total**
Impaired loans	6,653	1,029	375,005	7,594	390,280	10,090	765	311,137	7,417	329,409
Warranties	-	-	-	-	-	-	-	-	4,776	4,776
Provision for loan losses	6,784	1,029	295,729	5,281	308,823	8,515	703	249,647	4,776	263,641

As of December 31, 2022 and 2021, the risk exposure of the loan portfolio is distributed among the following economic sectors:

In thousands of soles	2022	2021
Financial intermediation	2,234,822	2,052,672
Public administration and defense	66,070	109,655
Manufacturing	278,564	1,692
Transport, storage and communications	3,615	18,702
Others	94739	-
Sub – Total	**2,677,810**	**2,182,721**
Consumer loans	6,618,898	5,168,370
Mortgage loans	517,240	371,464
	9,813,948	**7,722,555**

In consideration of the Official Letter issued by the SBS, the Bank modified the contractual conditions of the loans that as of February 29 were up to date in their payments or were less than 30 days overdue, without such modification resulting in a "refinanced loan". As of December 31, 2022 and 2021, the balances of the loans rescheduled and not considered as "refinanced loans", for the aforementioned concept, amount approximately to S/ 341.48 million and S/ 417.79 million, respectively.

Credit risk management in investments at FVTPL, available-for-sale and held-to-maturity.
The Bank evaluates the identified credit risk of each of the financial instruments in these categories, exposing the risk rating granted by a risk rating agency. For investments traded only in Peru, the risk ratings used are those provided by the three most prestigious Peruvian rating agencies (authorized by the SBS) and for investments traded abroad, the risk ratings used are those provided by the three most prestigious international rating agencies.

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

In thousands of soles	As of December 31, 2022		As of December 31, 2021	
Ranking				
AAA	7,856	0.17%	29,186	0.41%
AA- to AA+	252	0.01%	764	0.01%
Subtotal	**8,108**	**0.18%**	**29,950**	**0.42%**
Ranking in foreign countries				
A-2	2,954,131	64.63%	1,967,149	27.71%
BBB- to BBB+	1,580,830	34.58%	5,072,288	71.45%
Shares without ranking	27,592	0.61%	29,573	0.42%
Subtotal	**4,562,553**	**99.82%**	**7,069,010**	**99.58%**
Total	**4,570,661**	**100.00%**	**7,098,960**	**100.00%**

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

In thousands of soles	As of December 31, 2022		As of December 31, 2021	
Ranking in foreign countries				
BBB	5,100,378	100.0%	2,324,888	100.0%
Total	**5,100,378**	**100.0%**	**2,324,888**	**100.0%**

As of December 31, 2022 and 2021, financial instruments with exposure to credit risk were distributed by the following geographical areas:

	As of December 31, 2022					As of December 31, 2021				
In thousands of soles	**Loans and accounts receivable**	**Available-for-sale**	**Held-to-maturity**	**At FVTPL**	**Total**	**Loans and accounts receivable**	**Available-for-sale**	**Held-to-maturity**	**At FVTPL**	**Total**
Peru	34,684,434	4,543,069	5,699,275	-	44,926,778	36,558,536	7,069,387	2,457,739	-	46,085,662
United States	151,378	-	-	-	151,378	77,461	-	-	-	77,461
Panama	-	27,592	-	-	27,592	-	29,573	-	-	29,573
England	8,796	-	-	-	8,796	58,958	-	-	-	58,958
Germany	2,971	-	-	-	2,971	5,206	-	-	-	5,206
Other countries	57,191	-	-	-	57,191	14,047	-	-	-	14,047
Country risk	(247)	-	-	-	(247)	(148)	-	-	-	(148)
Total	**34,904,523**	**4,570,661**	**5,699,275**	**-**	**45,174,459**	**36,714,060**	**7,098,960**	**2,457,739**	**-**	**46,270,759**

Likewise, as of December 31, the Bank had the following distribution of direct loans by economic sector:

In thousands of soles	2022		2021	
Mortgage and consumer loans	7,136,137	73%	5,539,835	72%
Financial intermediation	2,235,143	23%	2,063,839	27%
Mining	276,879	3%	-	-
Public administration and defense	158,446	2%	111,437	1%
Transport	3,614	-	3,702	-
Manufacturing	1,633	-	1,642	-
Agriculture and livestock	70	-	50	-
Business	12	-	12	-
Other – non-profit, health and automotive	2,014	-	2,038	-
	9,813,948	**100%**	**7,722,555**	**100%**

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.

The Bank's liquidity is managed by the Assets and Liabilities Management Committee where positions, movements, indicators and limits on liquidity management are presented. Liquidity risk is supervised by the Risk Committee, where the risk appetite to be proposed to the Board of Directors is defined and the corresponding indicators, limits and controls are reviewed.

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

The procedure to control mismatches of contractual maturities and interest rates of assets and liabilities is essential to the Bank’s management. However, it is unusual for banks to be completely matched, due to uncertain terms and various types of transactions they perform. An uncovered position in terms may potentially increase the profitability, but it also increases the risk of losses.

The contractual maturities of assets and liabilities and the ability to replace them at maturity date, at an acceptable cost, as well as the interest-bearing liabilities are relevant factors in determining the Bank's liquidity and its exposure to changes in the interest rates and exchange rates.

The Bank has an internal model, which is based on expected maturities and the use of methodological assumptions for asset and liability accounts. Thus we have: (i) for asset accounts, the expected flows of investment and credit accounts are considered and distribution criteria are assumed on accounts receivable; and (ii) for liability accounts with uncertain maturity, the internal historical LAR (Liquidity at Risk) methodology is used, which is based on the review of the historical data of the accounts and the volatility of their variations, in order to estimate their expected maturity. Likewise, criteria are assumed for the distribution of accounts payable and, for the rest of the liabilities, their flows are distributed according to their contractual maturity.

The following table presents the cash flows payable by the Bank according to contractual terms agreed at the statement of financial position dates (excluding future interest, if applicable). The amounts disclosed are the cash flows according to the undiscounted contractual terms:

	As of December 31, 2022					As of December 31, 2021				
In thousands of soles	**Up to 1 month**	**1–3 months**	**3–12 months**	**More than 1 year**	**Total**	**Up to 1 month**	**1–3 months**	**3–12 months**	**More than 1 year**	**Total**
Financial liabilities by type										
Obligations with the public	3,830,381	3,695,586	1,904,464	33,358,058	42,788,489	4,774,626	4,331,458	1,866,840	33,145,525	44,118,449
Deposits with financial institutions	3,215,377	148,635	-	3,218	473,390	309,083	71,854	-	1,170	382,107
Outstanding instruments and liabilities	-	-	1,670	249,985	251,655	-	-	1,670	249,996	251,666
Accounts payable	232,317	73,787	30,774	222,050	558,928	358,605	54,408	20,964	28,730	462,707
Other liabilities	261,598	-	-	-	261598	356,364	-	-	-	356,364
Total non-derivative financial liabilities	**4,645,833**	**3,918,008**	**1,936,908**	**33,833,311**	**44,334,060**	**5,798,678**	**4,457,720**	**1,889,474**	**33,425,421**	**45,571,293**

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

In thousands of soles	**January 1, 2022**	**Cash flows**	**Approval of profit sharing**	**Interest payable**	**December 31, 2022**
Profit distribution to the Treasury	-	(29,977)	29,977	-	-
Cash paid for interest on subordinated bonds	251,666	(20,000)	-	19,988	251,655
Total liabilities from financing activities	**251,666**	**(49,977)**	**29,977**	**19,988**	**251,655**

In thousands of soles	**January 1, 2021**	**Cash flows**	**Approval of profit sharing**	**Interest payable**	**December 31, 2021**
Profit distribution to the Treasury	-	(427,533)	427,533	-	-
Cash paid for interest on subordinated bonds	251,677	(20,000)	-	19,989	251,666
Total liabilities from financing activities	**251,677**	**(447,533)**	**427,533**	**19,989**	**251,666**

Market risk
The Bank is exposed to market risk, which is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market prices and the level of volatility of interest rate, foreign exchange, commodity and equity investment positions, which are exposed to general and specific market movements. Due to the nature of the Bank's current activities, commodity price risk is not applicable to the Bank.

On the other hand, it is important to mention that due to the COVID-19 pandemic, these market risks present a greater tendency to present more pronounced fluctuations, due to the instability in the financial markets; in view of this situation, the Bank has been periodically monitoring these fluctuations in order to be able to quantify the impact that fluctuations generate in the valuation of its financial assets and liabilities.

i. Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or financial instruments fair values. The risk of the cash flow interest rate is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The risk on the fair value of interest rates is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The impact of changes in interest rates can be presented in two ways: the first, which translates into an impact on expected earnings, directly related to reinvestment risk and the risk that is generated when movements in interest rates expose the entity to higher costs in financing operations (passive interest rates); or lower returns on their investment operations (active interest rates). The second one is related to the valuation of assets and liabilities of the Fund, and therefore, the economic value or actual value of its equity. This modality occurs when market interest rates change, used for the valuation of the various instruments that are part of the Bank's statement of financial position.

The SBS calls these two impacts as Earnings at Risk (EaR) and Equity Value at Risk (VaR), establishing a regulatory maximum limit of 5.0 percent for the former, and requiring an additional effective equity increase in case the latter exceeds 15.0 percent.

(Percentage)	**2022**	**2021**
VaR (i)	2.1	12.5
EaR (ii)	0.55	0.76

The Board of Directors establishes limits on the level of interest rate repricing imbalance, which is monitored by Risk Management.

Repricing gap
The repricing gap analysis comprises the determination of the amount of assets and liabilities that reprice their interest rates in each time gap, considering the maturity of the transaction and the interest rate repricing period corresponding to the next period. This analysis focuses on measuring the impact of interest rate changes on expected earnings.

The following table shows the Bank's exposure to interest rate risk. The table provides the carrying amount of the Bank's financial instruments, which are classified on the repricing date of the contract interest rate or the maturity date, whichever occurs first.

	As of December 31, 2022					
In thousands of soles	**Up to 1 month**	**1–3 months**	**3–12 months**	**More than 12 months**	**Do not accrue interest**	**Total**
Assets						
Available funds	20,667,051	-	1,000,000	1,001,420	2,530,028	25,198,499
Available-for-sale investments	84,097	2,661,812	258,026	1,566,726	-	4,570,661
Held-to-maturity investments	64,637	130,778	-	5,503,860	-	5,699,275
Loan portfolio, net	291397	509,426	2,327,569	6,521,151	(289,541)	9,360,002
Accounts receivable and other assets, net	-	-	17	913	1,764,425	1,765,355
Total assets	**21,107,182**	**3,302,016**	**3,585,612**	**14,594,070**	**4,004,912**	**46,593,792**
Liabilities						
Deposits and obligations	8,925,872	8,755,060	9,220,605	11,981,678	3,905,274	42,788,489
Outstanding instruments and liabilities	-	-	1,670	249,985	-	251,655
Accounts payable and other liabilities	-	-	-	160	1,520,562	1,520,722
Equity	-	-	-	-	2,032,926	2,032,926
Total liabilities	**8,925,872**	**8,755,060**	**9,222,275**	**12,231,823**	**7,458,762**	**46,593,792**
Marginal gap	12,181,310	(5,453,044)	(5,636,663)	2,362,247	(3,453,850)	-
Accumulated gap	12,181,310	6,728,266	1,091,603	3,453,850	-	-

	As of December 31, 2021					
In thousands of soles	**Up to 1 month**	**1–3 months**	**3–12 months**	**More than 12 months**	**Do not accrue interest**	**Total**
Assets						
Available funds	15,626,579	4,000,000	5,000,000	1,000,781	2,968,199	28,595,559
Available-for-sale investments	1,088,777	850,988	29,872	5,129,323	-	7,098,960
Held-to-maturity investments	64,637	42,378	-	2,350,724	-	2,457,739
Loan portfolio, net	174,544	483,456	1,643,208	5,264,943	(252,794)	7,313,357
Accounts receivable and other assets, net	-	-	18	1,017	1,811,484	1,812,519
Total assets	**16,954,537**	**5,376,822**	**6,673,098**	**13,746,788**	**4,526,889**	**47,278,134**
Liabilities						
Deposits and obligations	9,067,961	8,967,714	9,566,852	12,693,238	3,822,684	44,118,449
Outstanding instruments and liabilities	-	-	1,670	249,996	-	251,666
Accounts payable and other liabilities	-	-	-	168	1,320,254	1,320,422
Equity	-	-	-	-	1,587,597	1,587,597
Total liabilities	**9,067,961**	**8,967,714**	**9,568,522**	**12,943,402**	**6,730,535**	**47,278,134**
Marginal gap	7,886,576	(3,590,892)	(2,895,424)	803,386	(2,203,646)	-
Accumulated gap	7,886,576	4,295,684	1,400,260	2,203,646	-	-

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

Therefore, management believes that fluctuations in interest rates will not affect the Bank's results.

ii. Exchange rate risk

The Bank is exposed to fluctuations in foreign currency exchange rates prevailing in its financial position and cash flows. Management sets limits on exposure levels by currency and total daily positions, which are monitored on a daily basis.

Foreign currency transactions are entered into a free-market exchange rate.

As of December 31, 2022, the weighted average of free-market exchange rates used in foreign currency transactions (U.S. dollars) were S/ 3.808 (buy rate) and S/ 3.820 (sell rate) (2021: S/ 3.975 and S/ 3.998, respectively). As of December 31, 2022, the exchange rate for the accounting of assets and liabilities in foreign currency fixed by the SBS is S/ 3.814 per 1 US$ (2021: S/ 3.987 per 1 US$).

As of December 31, 2022, the Bank has indirect credits in foreign currency for approximately US$ 447.2 million, equivalent to approximately S/ 1,705.60 million (2021: approximately US$ 223.80 million, equivalent to approximately S/ 892.28 million).

The Bank manages the exchange rate risk by monitoring and controlling foreign exchange positions exposed to changes in the exchange rates. The Bank measures its return in local currency (*soles*), so that if the foreign exchange position is positive, any depreciation of the local currency would have a positive effect on the statement of financial position. Current position in foreign currency comprises assets and liabilities stated at exchange rates. The open position of an entity comprises assets, liabilities and suspense accounts stated in the foreign currency in which the entity assumes the exchange rate risk. A revaluation or devaluation of the foreign currency would have an effect on the statement of profit or loss.

The Bank's net monetary position is the sum of its positive open positions in currencies other than the local currency (net long position), less the sum of its negative open positions in currencies other than the local currency(net short position). A revaluation or devaluation of the foreign currency would have an effect on the statement of profit or loss. An imbalance in the monetary position would make the Bank's statement of financial position vulnerable to changes in the exchange rates (exchange rate shock).

The following table shows the sensitivity analysis for each currency (i.e., U.S. dollar) to which the Bank is exposed as of December 31, 2021 and 2020, arising from monetary items and future cash flows. The analysis determines the effect of a reasonably possible variation of the exchange rate against the soles on the statement of comprehensive income, before income tax, considering all other variables constant. A negative amount reflects a possible decrease in profit or loss, while a positive amount, a possible net increase.

Sensitivity analysis	Change in exchange rates	2022	2021
Devaluation			
USD	5%	(3,111)	(1,271)
USD	10%	(6,222)	(2,542)
Revaluation			
USD	5%	3,111	1,271
USD	10%	6,222	2,542

Fair Value

(a) Financial instruments measured at fair value and fair value hierarchy
The following table shows an analysis of financial instruments measured at fair value at the reporting date, including the level of the fair value hierarchy. The amounts are based on the values recognized in the statement of financial position:

	As of December 31, 2022			
In thousands of soles	**Level 1**	**Level 2**	**Level 3**	**Total**
Available-for-sale investments				
Certificates of deposit – BCRP	-	2,890,328	-	2,890,328
Sovereign bonds	1,555,024	-	-	1,555,024
Corporate bonds	-	7,947	-	7,947
Equity instruments	27,592	-	-	27,592
	1,582,616	**2,898,275**	**-**	**4,480,891**
Accrued interest				89,770
Total available-for-sale investments				**4,570,661**

	As of December 31, 2021			
In thousands of soles	**Level 1**	**Level 2**	**Level 3**	**Total**
Available-for-sale investments				
Certificates of deposit – BCRP	-	1,950,372	-	1,950,372
Sovereign bonds	5,006,806	-	-	5,006,806
Corporate bonds	-	29,592	-	29,592
Equity instruments	29,573	-	-	29,573
	5,036,379	**1,979,964**	**-**	**7,016,343**
Accrued interest				82,617
Total available-for-sale investments				**7,098,960**

Financial instruments included in level 1 are those that are measured on the basis of quoted prices obtained in an active market. A financial instrument is considered as quoted in an active market if prices are readily and regularly available from a centralized trading facility, agent, broker, industry group, price vendors or regulatory entities; and such prices are regularly derived from market transactions.

Financial instruments included in level 2 are measured based on market factors. This category includes instruments valued using: market prices of similar instruments, whether from active markets or not, and other valuation techniques (models) where all significant inputs are directly or indirectly observable in the market.

The following is a description of how the fair value of the Bank's main financial instruments is determined using valuation techniques with observable market data, which incorporates the Bank's estimates of the assumptions that market participants would make in valuing these instruments:

- The valuation of BCRP certificates of deposit, corporate bonds and sovereign bonds is performed by calculating the Net Present Value (NPV) through discounting their cash flows, using the relevant zero coupon curves to discount the flows in the respective currency and considering observable market transactions. Other debt instruments are valued using valuation techniques based on assumptions supported by observable prices in current market transactions, whose prices are obtained through price vendors. However, when prices have not been determined in an active market, fair value is based on broker quotes and assets are valued using models where most of the assumptions are observable in the market.

(b) Financial liabilities not measured at fair value

The disclosure of the comparison between the carrying amounts and fair values of financial instruments not measured at fair value presented in the statement of financial position, including the level of the fair value hierarchy, is presented below:

	As of December 31, 2022					As of December 31, 2021				
In thousands of soles	**Level 1**	**Level 2**	**Level 3**	**Fair value**	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Fair value**	**Carrying amount**
Assets										
Available funds	-	25,198,499	-	25,198,499	25,198,499	-	28,595,559	-	28,595,559	28,595,559
Held-to-maturity investments	-	5,395,360	-	5,395,360	5,699,275	-	2,324,888	-	2,324,888	2,457,739
Loan portfolio, net	-	9,360,002	-	9,360,002	9,360,002	-	7,313,357	-	7,313,357	7,313,357
Accounts receivable, net	-	346,024	-	346,024	346,024	-	332,766	-	332,766	332,766
Other assets, net	-	387,164	-	387,164	387,164	-	472,378	-	472,378	472,378
Total	**-**	**40,687,049**	**-**	**40,687,049**	**40,990,964**	**-**	**39,038,948**	**-**	**39,038,948**	**39,171,799**
Liabilities										
Obligations with the public	-	42,788,489	-	42,788,489	42,788,489	-	44,118,449	-	44,118,449	44,118,449
Deposits with financial institutions	-	473,390	-	473,390	473,390	-	382,107	-	382,107	382,107
Outstanding instruments and liabilities	-	251,655	-	251,655	251,655	-	251,666	-	251,666	251,666
Accounts payable	-	402,968	-	402,968	402,968	-	462,707	-	462,707	462,707
Other liabilities	-	261,598	-	261,598	261,598	-	356,364	-	356,364	356,364
Total	**-**	**44,178,100**	**-**	**44,178,100**	**44,178,100**	**-**	**45,571,293**	**-**	**45,571,293**	**45,571,293**

The valuation techniques and assumptions used to determine quoted prices depend on the contractual terms and characteristics of risks inherent in the financial instruments:

- Assets whose fair value is similar to the carrying amount: The Bank assumes that the carrying amount of financial assets and financial liabilities that are short-term (less than 3 months), highly liquid investments is similar to the fair value. This assumption is also applicable to time deposits, savings accounts that have no specific maturity and variable-rate financial instruments.

- Fixed-rate financial instruments: The fair value of fixed-rate financial assets and liabilities measured at amortized cost is measured comparing market interest rates at initial recognition and current market rates related to similar financial instruments. When market prices are not available, the discounted cash flow model is used based on the interest rate yield curve for the remaining term to maturity. The fair value of loans and deposits and obligations, according to SBS Official Letter 1575--2014, is similar to the carrying amount.

27. Contingent Assets and Liabilities

As of December 31, 2022 and 2021, the Bank has civil, administrative, labor and other legal claims related to its activities which, in the opinion of management and its legal advisors, will not result in additional liabilities to be recorded by the Bank.

28. Subsequent Events

To date, Management has estimated that during the second quarter of 2023, it will capitalize S/ 3.83 million of net income in order to complete the modified capital under Supreme Decree 316-2021-EF up to S/ 1,600 million (note 16 (a)). Subsequently, it will make the corresponding evaluations of the overall capital ratio and, if applicable, will request FONAFE's approvals for the capitalization of profits.

No material events or facts that may have a significant effect on the Bank's financial position have occurred between the end of the reporting period and the date when the separate financial statements are authorized for issue.