

OFFERING MEMORANDUM



BANCO BBVA PERÚ

Issue of US\$300,000,000 Subordinated Notes due 2034

Issue price: 100.00%

The US\$300,000,000 Subordinated Notes due 2034 (the “Notes”) are being issued by Banco BBVA Perú, a banking institution organized as a corporation (*sociedad anónima*) under the laws of the Republic of Perú (“Perú”) and registered with file no. 11014915 in the Corporations Registry in the Lima office of the Peruvian Public Registries (the “Bank” or the “Issuer”).

INVESTING IN THE NOTES INVOLVES RISKS. PROSPECTIVE INVESTORS SHOULD CONSIDER THE FACTORS SET FORTH UNDER “RISK FACTORS” FOR A DISCUSSION OF CERTAIN OF THESE RISKS.

The Notes have not been and will not be registered under the Securities Act of 1933, as amended (the “Securities Act”), of the United States of America (the “United States” or “U.S.”) or any other U.S. federal or state securities laws and are being offered: (a) for sale to “qualified institutional buyers” (each a “QIB”) as defined in, and in reliance upon, Rule 144A under the Securities Act (“Rule 144A”) and (b) for sale in offshore transactions to persons who are not “U.S. persons” (“U.S. persons”) as defined in, and in reliance upon, Regulation S under the Securities Act (“Regulation S”). For a description of certain restrictions on the sale and transfer of investments in the Notes, see “Plan of Distribution” and “Transfer Restrictions.” Where the “United States” is referenced herein with respect to Regulation S, such shall have the meaning provided thereto in Rule 902 of Regulation S.

The Notes will bear interest from (and including) March 7, 2024 (the “Issue Date”) to (but excluding) June 7, 2029 (the “Reset Date”) at a rate of 6.20% *per annum* (the “Initial Interest Rate”). For the purpose of clarification, June 7, 2029 will be the Reset Date whether or not such date falls on a Business Day. From (and including) the Reset Date to (but excluding) June 7, 2034 (the “Stated Maturity Date”), the Notes will bear interest at a *per annum* rate (the “Reset Interest Rate”) equal to the sum of: (a) the Benchmark Reset Rate (as defined in “Description of Notes” herein) *plus* (b) 2.002% *per annum* (the Reset Interest Rate with the Initial Interest Rate, each an “Interest Rate”). Interest will be payable semi-annually in arrear on each June 7 and December 7 (each an “Interest Payment Date”) up to (but excluding) the Stated Maturity Date (if any such date is not a Business Day, then the Issuer will pay interest on the next day thereafter that is a Business Day, with the same force and effect as if paid on such Interest Payment Date, and no interest will accrue on the amount so payable for the period from and after such Interest Payment Date). The first Interest Payment Date will be such day in June 2024, noting that such first interest period is thus short.

Subject to the prior approval of the Superintendency of Banks, Insurance Companies and Private Pension Fund Administrators (in Spanish: *Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones*) (the “SBS”) of Perú or any other then-applicable Peruvian Governmental Authority (as defined herein), if then required, the Issuer may at its option redeem the Notes: (a) in whole or in part on any date from (and including) the fifth anniversary of the Issue Date (*i.e.*, March 7, 2029) to (and including) the Reset Date (the “Optional Redemption Period”) or (b) in whole, but not in part, at any time following the occurrence of a Tax Event or Regulatory Event, in each case at a redemption price equal to 100% of the aggregate principal amount of the Notes being redeemed *plus* any accrued and unpaid interest on the principal amount of such Notes up to, but excluding, the applicable Redemption Date (as defined herein) *plus* Additional Amounts (as defined herein), if any. The Notes are otherwise scheduled to be redeemed by the Issuer on the Stated Maturity Date. For a more detailed description of the potential early redemption of the Notes, see “Description of Notes – Redemption Prior to Maturity.”

The Notes are subject to loss absorption upon the occurrence of an Intervention (as defined herein) or the Liquidation (as defined herein) of the Issuer, with the Notes ranking junior in right of payment to Senior Obligations (as defined herein), *pari passu* in right of payment with Parity Obligations (as defined herein) and senior in right of payment to Junior Obligations (as defined herein). See “Description of Notes - Loss Absorption” and “Risk Factors – Risks Relating to the Notes - Risks Relating to the Structure of the Notes - Loss Absorption.”

There is currently no public market for the Notes. This Offering Memorandum (this “Offering Memorandum”) has been approved by the Irish Stock Exchange plc trading as Euronext Dublin (“Euronext Dublin”) and has been prepared for the purpose of admitting the Notes to the official list (the “Official List”) of Euronext Dublin and to trading on its Global Exchange Market (“GEM”). GEM is not a regulated market for the purposes of Directive 2014/65/EU (as amended, “MiFID II”). This Offering Memorandum constitutes “listing particulars” for the purposes of the admission of the Notes to the Official List and to trading of the Notes on GEM and does not constitute a prospectus for the purposes of Regulation (EU) No. 2017/1129 (as amended, the “Prospectus Regulation”). Application has been made to Euronext Dublin to approve this document as “listing particulars” and for the Notes to be admitted to the Official List and to trading on GEM. References in this Offering Memorandum to the Notes being “listed” (and all related references) shall mean that the Notes have been admitted to the Official List and to trading on GEM.

The Notes and the information contained in this Offering Memorandum have not been and will not be registered with or approved by the Peruvian Capital Markets Superintendency (in Spanish: *Superintendencia del Mercado de Valores*) (the “SMV”) or the Lima Stock Exchange (in Spanish: *Bolsa de Valores de Lima*) (the “BVL”). Accordingly, the Notes (and beneficial interests therein) cannot be offered or sold in Perú except if such offering is considered a private offering under the laws of Perú. The Notes (and beneficial interests therein) may not be offered or sold in Perú or in any other jurisdiction except in compliance with the securities laws thereof.

The SBS issued its favorable opinion with respect to the offering of the Notes by means of SBS Resolution No. 00668-2024 issued on February 23, 2024.

It is expected that delivery of the Notes will be made against payment therefor in immediately available funds on the Issue Date in book-entry form only through the facilities of The Depository Trust Company (“DTC”) for the account of its direct participants, including the nominees of Euroclear Bank SA/NV (“Euroclear”) and/or Clearstream Banking S.A. (“Clearstream, Luxembourg”).

Initial Purchasers

BBVA

BofA Securities

Goldman Sachs

The date of this Offering Memorandum, for listing purposes only, is March 5, 2024.

This document does not constitute a prospectus for the purposes of: (a) Article 8 of the Prospectus Regulation, (b) the Prospectus Regulation as it forms part of United Kingdom (“UK”) domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended, the “EUWA”) or (c) Section 12(a)(2) of, or any other provision of or rule under, the Securities Act.

RESPONSIBILITY STATEMENT

The Issuer accepts responsibility for the information contained in this Offering Memorandum. To the best of the knowledge of the Issuer, having taken all reasonable care to ensure that such is the case, such information is in accordance with the facts and this Offering Memorandum makes no omission likely to affect the import of such information.

The Issuer confirms that: (a) this Offering Memorandum contains all information that in its view is material in the context of the issuance and offering of the Notes (or beneficial interests therein), (b) the information contained in this Offering Memorandum is true and accurate in all material respects and is not misleading, (c) any opinions, predictions or intentions expressed in this Offering Memorandum on the part of the Issuer are honestly held or made by the Issuer and are not misleading in any material respect, and there are no other facts the omission of which would make this Offering Memorandum or any of such information or the expression of any such opinions, predictions or intentions misleading in any material respect, and (d) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements.

The Trustee and the Initial Purchasers make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this Offering Memorandum. To the full extent permitted by law, none of the Trustee, the Initial Purchasers or any of their respective affiliates accept any responsibility for: (a) the information contained in this Offering Memorandum or any other information provided by (or on behalf of) the Issuer in connection with the issue and offering of the Notes (or beneficial interests therein), (b) any statement consistent with this Offering Memorandum made, or purported to be made, by an Initial Purchaser or on its behalf in connection with the issue and offering of the Notes (or beneficial interests therein) or (c) any acts or omissions of the Issuer or any other person in connection with the issue and offering of the Notes (or beneficial interests therein). Each Initial Purchaser accordingly disclaims (including on behalf of their respective affiliates) all and any liability that it might otherwise have (whether in tort, contract or otherwise) in respect of the accuracy or completeness of any such information or statements. The Initial Purchasers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Notes or to advise any investor or potential investor in the Notes of any information coming to their attention.

In connection with the issue and offering of the Notes (or beneficial interests therein), no Person is or has been authorized by the Issuer to give any information or to make any representation not contained in or not consistent with this Offering Memorandum or any other information supplied by (or with the consent of) the Issuer and, if given or made, such information or representation must not be relied upon as having been authorized by the Issuer or any of the Initial Purchasers.

Neither this Offering Memorandum nor any other information supplied by (or on behalf of) the Issuer, any of the Initial Purchasers or any of their respective affiliates in connection with the Notes should be considered as a recommendation by the Issuer, any of the Initial Purchasers or any of their respective affiliates that any recipient of this Offering Memorandum or any such other information should invest in the Notes. Each investor contemplating investing in the Notes should: (i) determine for itself the relevance of the information contained in this Offering Memorandum, (ii) make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and (iii) make its own determination of the suitability of any such investment in light of its own circumstances, with particular reference to its own investment objectives and experience, and any other factors that are relevant to it in connection with such investment, in each case, based upon such investigation as it deems necessary.

Neither this Offering Memorandum nor, except to the extent explicitly stated therein, any other information supplied by (or on behalf of) the Issuer or any of the Initial Purchasers in connection with the issue of the Notes constitutes an offer or invitation by (or on behalf of) the Issuer, any of the Initial Purchasers or any of their respective affiliates to any Person to subscribe for or purchase any Notes (or beneficial interests therein). This Offering Memorandum is intended only to provide information to assist potential investors in deciding whether or not to subscribe for, or invest in, the Notes.

Neither the delivery of this Offering Memorandum nor the offering, sale or delivery of the Notes (or beneficial interests therein) shall in any circumstances imply that the information contained in this Offering Memorandum is correct at any time subsequent to the date hereof (or, if such information is stated to be as of an earlier date, subsequent to such earlier date) or that any other information supplied in connection with the Notes is correct as of any time subsequent to the date indicated in the document containing the same.

GENERAL INFORMATION

The distribution of this Offering Memorandum and/or the offer or sale of Notes (or beneficial interests therein) might be restricted by law in certain jurisdictions. None of the Issuer or the Initial Purchasers represent that this Offering Memorandum may be lawfully distributed, or that the Notes (or beneficial interests therein) may be lawfully offered, in any such jurisdiction or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer that is intended to permit a public offering of the Notes (or beneficial interests therein) or distribution of this Offering Memorandum, any advertisement or any other material relating to the Notes in any jurisdiction in which action for that purpose is required. Accordingly: (a) no Notes (or beneficial interests therein) may be offered or sold, directly or indirectly, and (b) neither this Offering Memorandum nor any advertisement or other material relating to the Notes may be distributed or published in any jurisdiction except, in each case, under circumstances that will result in compliance with all applicable laws. Persons into whose possession this Offering Memorandum or any Notes (or beneficial interests therein) come(s) must inform themselves about, and observe, any such restrictions on the distribution of this Offering Memorandum, any advertisement or other material relating to the Notes and the offering and/or sale of the Notes (or beneficial interests therein). In particular, there are restrictions on the distribution of this Offering Memorandum and the offer and/or sale of the Notes (or beneficial interests therein) in (*inter alia*) Perú, the United States, the EEA (including Belgium), the UK, the Hong Kong Special Administrative Region of the People's Republic of China ("*Hong Kong*"), Taiwan, Singapore, Japan, Canada, Switzerland, Chile, Colombia and Brazil. See "Plan of Distribution - Selling Restrictions."

In making an investment decision with respect to the Notes, investors must rely upon their own examination of the Issuer and the terms of the Notes (or beneficial interests therein), including the merits and risks involved. The Notes have not been approved or disapproved by the Securities and Exchange Commission (the "*SEC*") of the United States or any other securities commission or other regulatory authority in the United States and, other than the approval of the SBS (*i.e.*, the SBS Approval described below) described herein, have not been approved or disapproved by any securities commission or other regulatory authority in Perú or any other jurisdiction, nor has any such authority approved this Offering Memorandum or confirmed the accuracy or determined the adequacy of the information contained in this Offering Memorandum. Any representation to the contrary might be unlawful.

None of the Initial Purchasers, the Issuer or any of their respective affiliates, counsel or other representatives makes any representation to any actual or potential investor in the Notes regarding the legality under any law of its investment in the Notes. Any investor in the Notes should ensure that it is able to bear the economic risk of an investment in the Notes for an indefinite period of time.

The Notes might not be a suitable investment for all investors. As noted above, each potential investor contemplating making an investment in the Notes must make its own assessment as to the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and its own determination of the suitability of investing in the Notes in light of its own circumstances, with particular reference to its own investment objectives and experience, and any other factors that are relevant to it in connection with such investment, in each case, based upon such investigation as it deems necessary. In particular, each potential investor in the Notes should consider, either on its own or with the help of its financial and other professional advisors, whether it:

- (a) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Offering Memorandum,
- (b) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular circumstances, an investment in the Notes and the impact such investment will have on its overall investment portfolio,
- (c) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal and interest payments is different from such potential investor's currency and the possibility that the entire principal amount of the Notes could be lost, including following the exercise of any loss absorption by the Notes if the Issuer should become subject to any Intervention by the SBS or Liquidation of the Bank,
- (d) understands thoroughly the terms of the Notes, such as the provisions governing subordination, and is familiar with the behavior of financial markets, and
- (e) is able to evaluate possible scenarios for economic, interest rate and other factors that might affect its investment in the Notes and its ability to bear the applicable risks.

Legal investment considerations might restrict certain investments. The investment activities of certain investors are subject to laws and/or to review or regulation by certain authorities. Each potential investor in the Notes should consult its legal advisors to determine whether and to what extent: (a) the Notes (or beneficial interests therein) are legal investments for it, (b) its investment in the Notes can be used by it as collateral for various types of borrowing and (c) other restrictions apply to its purchase, holding or pledge of any Notes (or beneficial interests therein). Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of their investments in the Notes under any applicable risk-based capital or other rules. Each potential investor in the Notes should consult its own advisors as to the legal, tax, business, financial and related aspects of an investment in the Notes.

The SBS issued its favorable opinion with respect to the offering of the Notes by means of SBS Resolution No. 00668-2024 issued on February 23, 2024 (the “*SBS Approval*”) approving the treatment of the Notes as Tier II Regulatory Capital of the Issuer for so long as the Notes comply with the requirements of the New Regulation on Subordinated Debt applicable to Companies of the Financial System (in Spanish: *Nuevo Reglamento de Deuda Subordinada aplicable a las Empresas del Sistema Financiero*) approved by SBS Resolution No. 03950-2022 (the “*Subordinated Debt Regulation*”). The SBS Approval is conditional upon the compliance of the Notes with the requirements of the Subordinated Debt Regulation. For a description of the regulatory requirements in relation to Tier II Regulatory Capital, see “Supervision and Regulation – Basel III – Capital Adequacy Requirements.”

Potential investors should note that, under the Central Securities Depositories Regulation of the EU, a trade in the secondary markets within the European Union (“*EU*”) might be required to settle in two applicable business days unless the parties to such trade expressly agree otherwise. Accordingly, investors who wish to trade interests in the Notes in the EU on the trade date relating to such Notes or the next business day will likely be required, by virtue of the fact that the Notes initially will likely settle on a settlement cycle longer than such number of days, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement.

Monies paid for the purchase of Notes (or beneficial interests therein) are not protected by the insurance coverage provided by the Deposit Insurance Fund (in Spanish: *Fondo de Seguros de Depósito*) (the “*Deposit Insurance Fund*”) of Perú.

Notes offered and sold to QIBs in reliance upon Rule 144A (the “*Rule 144A Notes*”) initially will be represented by beneficial interests in a global note in registered form (the “*Rule 144A Global Note*”) on the Issue Date. Notes offered and sold pursuant to Regulation S in offshore transactions to persons who are not U.S. persons (the “*Regulation S Notes*”) initially will be represented by beneficial interests in a global note in registered form (the “*Regulation S Global Note*” and, with the Rule 144A Global Note, the “*Global Notes*”).

Each of the Global Notes will be deposited on or about the Issue Date with The Bank of New York Mellon, New York Branch, in its capacity as custodian (the “*Custodian*”) for, and will be registered in the name of Cede & Co. as nominee of, DTC. Except as described in this Offering Memorandum, beneficial interests in a Global Note will be represented through accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC, including Euroclear and Clearstream, Luxembourg.

Following the publication of this Offering Memorandum, a supplement to this Offering Memorandum might be prepared by the Issuer and approved by Euronext Dublin in accordance with Rule 3.10 of the “Listing and Admission to Trading Rules for Debt Securities” of GEM. Statements contained in any such supplement (or contained in any document (or portions thereof) included or incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Offering Memorandum. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Offering Memorandum. This Offering Memorandum is valid until the Notes are admitted to the Official List and to trading on GEM. The obligation to supplement this Offering Memorandum in accordance with such Rule 3.10 does not apply when this Offering Memorandum is no longer valid.

U.S. INFORMATION

The Notes have not been and will not be registered under the Securities Act or any other U.S. federal or state securities laws and the Notes (or beneficial interests therein) may not be offered or sold in the United States or to, or for the account or benefit of, a U.S. person except pursuant to an exemption from the registration requirements of the Securities Act and in accordance with all applicable securities laws of the United States and each applicable state or other jurisdiction of the United States. In the United States, this Offering Memorandum is only being submitted on a confidential basis to QIBs under Rule 144A and to investors with whom “offshore transactions” under Regulation S can be entered into, for informational use

solely in connection with the consideration of an investment in the Notes. Its use for any other purpose in the United States or by any U.S. person is not authorized.

Potential investors that are U.S. persons should note that the Issue Date for the Notes will be more than two relevant business days (this settlement cycle being referred to as “T+2”) following the trade date of the Notes. Under Rule 15c6-1 of the Securities Exchange Act of 1934, as amended (the “*Exchange Act*”), of the United States, a trade in the United States in the secondary market generally is required to settle in two business days unless otherwise expressly agreed to by the parties at the time of the transaction. Accordingly, investors who wish to trade interests in the Notes in the United States on the trade date relating to the Notes or the next business day will likely be required, by virtue of the fact that the Notes initially will settle on a settlement cycle longer than T+2, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. In February 2023, Rule 15c6-1 was amended so that, effective as of May 28, 2024, such settlement period will be reduced to one business day.

To permit compliance with Rule 144A in connection with any resales or other transfers of the Notes (or beneficial interests therein) for so long as they are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer has undertaken in the Indenture dated as of the Issue Date between the Issuer and The Bank of New York Mellon as trustee (the “*Trustee*”), paying agent, transfer agent and security registrar (as amended, restated or supplemented from time to time, the “*Indenture*”) to furnish to the registered holders of the Notes (each a “*Holder*”) or holders of beneficial interests in the Notes, and to prospective investors in the Notes, upon the request of such Holders (or holders of beneficial interests) or prospective investors, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act so long as the Notes are not freely transferable under the Exchange Act by persons who are not “affiliates” of the Issuer under the Securities Act.

NOTICE TO RESIDENTS OF PERÚ

No offer or invitation to subscribe for or sell the Notes (or beneficial interest therein) may be made in Perú except in compliance with Peruvian law.

The Notes and the information contained in this Offering Memorandum have not been and will not be registered with or approved by the SMV or the BVL and, accordingly, this offering will not be subject to a public offering in Perú. As Peruvian securities laws on public offerings will not be applicable to the offering of the Notes (and beneficial interests therein), the disclosure obligations set forth therein will not be applicable to the Issuer or the Initial Purchasers before or after acquisition of the Notes (or beneficial interests therein) by investors.

This Offering Memorandum and other offering materials relating to the offer of the Notes (and beneficial interests therein) are only being supplied to those Peruvian investors who have expressly requested them. In Perú, such materials may not be distributed to any person or entity other than the intended recipients. Accordingly, the Notes (and beneficial interests therein) cannot be offered or sold in Perú except if: (a) the Notes have been registered with the SMV or (b) such offering is considered to be a private offering under the Peruvian securities laws. Peruvian securities laws establish, among other things, that an offer directed exclusively to institutional investors (as defined by Peruvian law) in Perú qualifies as a private offering. In making an investment decision, such institutional investors must rely upon their own examination of the terms of the offering of the Notes (and beneficial interests therein) to determine such investors’ ability to invest in the Notes.

PROHIBITIONS ON MARKETING AND SALES TO RETAIL INVESTORS

The Notes are complex financial instruments and are not a suitable or appropriate investment for all investors, especially retail investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Notes (and beneficial interests therein). Potential investors in the Notes should inform themselves of, and comply with, any applicable laws or regulatory guidance with respect to any resale of the Notes (or any beneficial interests therein).

Prohibition of Sales to EEA Retail Investors. The Notes (and beneficial interests therein) are not intended to be offered, sold or otherwise made available to (and should not be offered, sold or otherwise made available to) any EEA Retail Investor in the EEA. For these purposes, “*EEA Retail Investor*” means a person who is one (or both) of the following: (a) a retail client as defined in point (11) of Article 4(1) of MiFID II or (b) a customer within the meaning of Directive (EU) No. 2016/97 (as amended, the “*Insurance Distribution Directive*”) where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No. 1286/2014 (as amended, the “*PRIIPs Regulation*”) for offering or selling the Notes (or beneficial interests therein) or otherwise making them available to EEA Retail Investors in the EEA has been prepared and, therefore, offering or selling the

Notes (or beneficial interests therein) or otherwise making them available to any EEA Retail Investor in the EEA might be unlawful under the PRIIPs Regulation.

Prohibition of Sales to UK Retail Investors. The Notes (and beneficial interests therein) are not intended to be offered, sold or otherwise made available to (and should not be offered, sold or otherwise made available to) any UK Retail Investor in the UK. For these purposes, “UK Retail Investor” means a person who is one (or both) of the following: (a) a retail client as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of UK domestic law by virtue of the EUWA or (b) a customer within the meaning of the Financial Services and Markets Act 2000 (as amended, the “FSMA”) of the UK and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive where that customer would not qualify as a professional client as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of UK domestic law by virtue of the EUWA. Consequently, no key information document required by the PRIIPs Regulation as it forms part of UK domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the Notes (or beneficial interests therein) or otherwise making them available to UK Retail Investors in the UK has been prepared and, therefore, offering or selling the Notes (or beneficial interests therein) or otherwise making them available to any UK Retail Investor in the UK might be unlawful under the UK PRIIPs Regulation.

Potential investors should inform themselves of, and comply with, any applicable laws or regulatory guidance with respect to any resale of the Notes (or any beneficial interests therein).

NOTIFICATION UNDER SECTION 309B(1)(c) OF THE SECURITIES AND FUTURES ACT 2001 (2020 REVISED EDITION) OF SINGAPORE

In connection with Section 309B(1) of the Securities and Futures Act 2001 of Singapore (as amended, the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (as amended, the “CMP Regulations 2018”), the Issuer has determined the classification of the Notes as “prescribed capital markets products” (as defined in the CMP Regulations 2018) and “Excluded Investment Products” (as defined in the Monetary Authority of Singapore (the “MAS”) Notice SFA 04-N12: Notice on the Sale of Investment Products and the MAS Notice FAA-N16: Notice on Recommendations on Investment Products). This notification constitutes notice to “relevant persons” for purposes of Section 309B(1)(c) of the SFA.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains some statements that might be considered to be forward-looking statements. Forward-looking statements include (without limitation) statements concerning the Issuer’s plans, objectives, goals, strategies, future operations and performance and the assumptions underlying these forward-looking statements. When used in this Offering Memorandum, the words “anticipates,” “estimates,” “expects,” “believes,” “intends,” “plans,” “aims,” “seeks,” “may,” “might,” “will,” “should,” “potential,” “forecast” and any similar expressions generally identify forward-looking statements. Forward-looking statements appear in a number of places throughout this Offering Memorandum, including (without limitation) in the sections titled in the sections titled “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Selected Statistical and Other Information” and “The Group and its Business,” and include, but are not limited to, statements regarding:

- strategy and objectives,
- trends affecting the Group’s results of operations and financial condition,
- asset portfolios,
- provisions,
- capital spending,
- legal proceedings, and
- the Group’s potential exposure to market risk and other risk factors.

Forward-looking statements involve risks, uncertainties and assumptions. Actual results might differ materially from those expressed in these forward-looking statements.

The Issuer has identified certain of the risks inherent in these forward-looking statements and these are set out under “Risk Factors.”

The Issuer has based these forward-looking statements on the current view of its management with respect to future events and financial performance. Although the Issuer’s management believes that the expectations, estimates and projections

reflected in the forward-looking statements in this Offering Memorandum are reasonable as of the date of this Offering Memorandum, if one or more of the risks or uncertainties inherent in these forward-looking statements materialize(s), including those identified in this Offering Memorandum, or if any of the Issuer's underlying assumptions prove to be incomplete or inaccurate, then the Issuer's actual results of operation might vary from those expected, estimated or projected and those variations might be material.

There might be other risks, including some risks of which the Issuer is unaware, that might adversely affect the Group's results, the Notes or the accuracy of forward-looking statements in this Offering Memorandum. Therefore, potential investors should not consider the factors discussed under "Risk Factors" to be a complete discussion of all potential risks or uncertainties of investing in the Notes.

Potential investors should not place undue reliance upon any forward-looking statements. Any forward-looking statements contained in this Offering Memorandum speak only as of the date of this Offering Memorandum. Without prejudice to any requirements under applicable laws, the Issuer expressly disclaims any obligation or undertaking to disseminate after the date of this Offering Memorandum any updates or revisions to any forward-looking statements contained herein to reflect any change in expectations thereof or any change in events, conditions or circumstances upon which any such forward-looking statement is based.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The Bank is required to maintain its books of account and prepare financial statements in accordance with Peruvian GAAP (such financial statements, including any notes thereto and the independent auditor's reports thereon, the "*Financial Statements*"). The Bank's Financial Statements are used for determinations of its compliance with Peruvian regulatory requirements established by the SBS, including for the calculation of capital adequacy ratios. The Bank's consolidated annual Financial Statements as of and for each of the years ended December 31, 2022 (including comparative information for 2021) and 2023 (including comparative information for 2022) (in each case, including any notes thereto and the independent auditor's report thereon) (the "*Consolidated Annual Financial Statements*"), both of which are attached hereto, have been prepared and presented in accordance with Peruvian GAAP.

Certain information in this Offering Memorandum is extracted from the Bank's Financial Statements as of and for each of the years ended December 31, 2022 (including comparative information for 2021) and 2023 (including comparative information for 2022) (in each case, including any notes thereto and the independent auditor's report thereon) (the "*Unconsolidated Annual Financial Statements*"); however, the Unconsolidated Annual Financial Statements are neither attached to nor incorporated by reference into, and do not constitute a part of, this Offering Memorandum.

In this Offering Memorandum, "*Peruvian GAAP*" means: (a) the accounting principles prescribed by the SBS for Peruvian financial institutions subject to the supervision of the SBS' "Accounting Manual for Financial Entities" and (b) in the absence of accounting principles prescribed by the SBS, the international financial reporting standards ("*IFRS*") as approved by the Accounting Standards Board (in Spanish: *Consejo Normativo de Contabilidad*) of Perú.

The information as of and for the years ended December 31, 2022 and 2023 in the Consolidated Annual Financial Statements and Unconsolidated Annual Financial Statements was audited by Tanaka, Valdivia & Asociados Sociedad Civil de R.L. (a member firm of Ernst & Young Global Limited) ("*EY*") in accordance with the International Standards on Auditing approved for application in Perú by the Board of Peruvian Associations of Certified Public Accountants (the "*Peruvian Auditor Standards*") as stated in EY's independent auditor's report included within each of such Financial Statements.

The information as of and for the year ended December 31, 2021 included in the Consolidated Annual Financial Statements as of and for the year ended December 31, 2022 (except for the reclassifications as described in Note 2(h) of the Consolidated Annual Financial Statements as of and for the year ended December 31, 2022) was audited by the Bank's prior independent auditor Emmerich, Córdova y Asociados S. Civil de RL (a member firm of KPMG International Limited) ("*KPMG*"). The information as of and for the year ended December 31, 2021 included in the Unconsolidated Annual Financial Statements as of and for the year ended December 31, 2022 (except for the reclassifications as described in Note 2(g) of the Unconsolidated Annual Financial Statements as of and for the year ended December 31, 2022) were audited by the Bank's prior independent auditor KPMG.

The Consolidated Annual Financial Statements, all of which are in English, were prepared as convenience translations of the corresponding Spanish language Consolidated Annual Financial Statements (which translations the Bank confirms are direct and accurate). The Consolidated Annual Financial Statements were not prepared for the purpose of their inclusion in this Offering Memorandum.

Except to the extent stated otherwise, the financial data for the Group included herein have been extracted from the Consolidated Annual Financial Statements. Potential investors in the Notes should note that this Offering Memorandum also includes certain financial information for the Bank, which has been extracted from the Unconsolidated Annual Financial Statements (such financial information is identified as being of "the Bank" in the description of the associated tables or information). Such financial information is (*inter alia*) presented in "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Selected Statistical and Other Information" and "The Group and its Business." It should be noted that, while financial information about the Bank might be publicly available (including Spanish language Financial Statements) from time to time, the Bank, as discussed in "Description of Notes – Limited Covenants – Provision of Information and Financial Reports," will only be furnishing to the Trustee the Group's Financial Statements.

Please note that the Consolidated Annual Financial Statements and Unconsolidated Annual Financial Statements have not been prepared in accordance with IFRS as adopted by the EU based upon Regulation (EC) No. 1606/2002 and that there may be material differences in the financial information had Regulation (EC) No. 1606/2002 been applied to the historical financial information presented herein. A narrative description of the differences between IFRS and Peruvian GAAP as adopted by the Group in preparing the Consolidated Annual

Financial Statements and the Unconsolidated Annual Financial Statements has been included in Appendix A (“Overview of Differences between IFRS and Peruvian GAAP”).

2021 Reclassifications

Two figures published in the Group’s and the Bank’s Financial Statements for 2021 were reclassified in the Consolidated Annual Financial Statements and Unconsolidated Annual Financial Statements as of and for the year ended December 31, 2022 as follows:

Consolidated Statement of Financial Position for the year ended December 31, 2021

	Balances without reclassification	Reclassification	Reclassified Balances
	<i>(Soles thousands)</i>		
Obligations with the public and deposits from financial institutions.....	63,939,029	149,119	64,088,148
Debts and financial obligations	6,989,674	(149,119)	6,840,555

Consolidated Statement of Income for the year ended December 31, 2021

	Balances without reclassification	Reclassification	Reclassified Balances
	<i>(Soles thousands)</i>		
Interest income	4,236,841	36,675	4,273,516
Net gain / Net loss result on hedge transactions	50,875	36,675	87,551
Profit or loss on Financial Transactions (ROF)	709,063	(36,675)	672,388
Hedging derivatives.....	-	(36,675)	(36,675)

Unconsolidated Statement of Financial Position for the year ended December 31, 2021

	Balances without reclassification	Reclassification	Reclassified Balances
	<i>(Soles thousands)</i>		
Obligations with the public and deposits from financial institutions.....	64,130,359	149,119	64,279,478
Debts and financial obligations	6,989,674	(149,119)	6,840,555

Unconsolidated Statement of Income for the year ended December 31, 2021

	Balances without reclassification	Reclassification	Reclassified Balances
	<i>(Soles thousands)</i>		
Interest income	4,209,340	36,675	4,246,014
Net gain result on hedge transactions	50,875	36,675	87,551
Profit or loss on Financial Transactions (ROF)	739,974	(36,675)	703,299
Hedging derivatives.....	-	(36,675)	(36,675)

These reclassifications were made for comparative purposes, as requested by regulators and/or as a result of an internal review of some of the Group’s products. The Bank’s management is of the view that those reclassifications did not result in any changes in the decisions previously made based upon these items. The figures for 2021 included in this Offering Memorandum reflect such reclassifications.

Non-GAAP Measures of Performance

To supplement the Bank’s and the Group’s Financial Statements presented in accordance with Peruvian GAAP, the Bank uses certain ratios and other measures included in this Offering Memorandum that might be considered to be non-GAAP

(or alternative performance measures) (GAAP for this purpose referring to a body of generally accepted accounting principles such as Peruvian GAAP). A non-GAAP financial measure is one that measures historical or future financial performance, financial position or cash flows but that excludes or includes amounts that would not be so adjusted in the most comparable GAAP ratios or measures.

Any such non-GAAP financial measures included in this Offering Memorandum are not alternatives to measures prepared in accordance with Peruvian GAAP and might be different from similarly titled measures reported by other companies. The Bank's management believes that this information, when considered in conjunction with measures reported under Peruvian GAAP, is useful to investors because it provides a basis for measuring the organic operating performance in the periods presented and enhances investors' overall understanding of the Group's financial performance. In addition, these measures are used in internal management of the Group, along with financial measures reported under Peruvian GAAP, in measuring the Group's performance and comparing it to the performance of its competitors. Furthermore, because the Group has historically reported certain non-GAAP financial measures to investors, the Bank's management believes that the inclusion of non-GAAP financial measures in this Offering Memorandum provides consistency in the Group's financial reporting and thus improves investors' ability to assess the Group's trends and performance over multiple periods. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with Peruvian GAAP.

For the Group, such non-GAAP financial measures in this Offering Memorandum (including pursuant to any supplement hereto) (and that are not defined or specified by Peruvian GAAP or any law applicable to the Group) include the following (such terms being used in this Offering Memorandum as defined below):

cost of risk: For a particular period, this is: (a) provision for loan losses, net of recoveries for such period *as a percentage of* (b) the average total loan portfolio for such period.

coverage ratio: As of a particular date, this is: (a) the total provision for direct loan losses as of such date *as a percentage of* (b) the NPLs as of such date.

deposits-to-total assets: As of a particular date, this is: (a) the total obligations with the public as of such date *as a percentage of* (b) the total assets as of such date.

efficiency ratio: For a particular period, this is: (a) the sum of administrative expenses, depreciation and amortization expenses and impairment of property, furniture and equipment and intangible assets for such period *as a percentage of* (b) the sum of gross financial margin, profit or loss from financial transactions and income from financial services, net for such period.

gross yield: For a particular period, this is: (a) interest income from interest-earning assets for such period *as a percentage of* (b) total average interest-earning assets for such period. Where such is for a particular currency, then such is determined with respect to the assets and/or liabilities denominated in such currency only; otherwise, such is calculated on a weighted average amongst all currencies.

loans-to-deposits ratio: As of a particular date, this is: (a) the total loan portfolio, net as of such date *as a percentage of* (b) the total obligations with the public and deposits from financial institutions as of such date.

net interest margin: For a particular period, this is: (a) the gross financial margin for such period *as a percentage of* (b) the average interest-earning assets during such period. Where such is for a particular currency, then such is determined with respect to the assets and/or liabilities denominated in such currency only; otherwise, such is calculated on a weighted average amongst all currencies.

NPL ratio: As of a particular date, this is: (a) the NPLs as of such date *as a percentage of* (b) the total loan portfolio as of such date. Where the NPL ratio is referenced solely with respect to a category of loans (*e.g.*, the NPL ratio of corporate loans), then this ratio is calculated solely with respect to such category of loans.

provisions for loans to direct loans: As of a particular date, this is: (a) the total provisions for direct loan losses as of such date (determined only for direct loans) *as a percentage of* (b) the total direct loans as of such date.

return on average equity: For a particular period, this is: (a) net profit for such period *as a percentage of* (b) average equity during such period.

return on average total assets: For a particular period, this is: (a) the net profit for such period *as a percentage of* (b) the average total assets for such period.

specific provisions for loans to direct loans: As of a particular date, this is: (a) the total specific provisions for loans to direct loans as of such date (determined only for direct loans) *as a percentage of* (b) the total loan portfolio as of such date.

specific provisions for loans to NPLs: As of a particular date, this is: (a) the total specific provisions for loans to direct loans as of such date (determined only for direct loans) *as a percentage of* (b) loans past due and loans under legal collection as of such date.

total loans (net of provisions)-to-total assets: As of a particular date, this is: (a) the total loan portfolio, net as of such date *as a percentage of* (b) the total assets as of such date.

yield spread: For a particular period, this is: (a) the gross yield on average interest-earning assets for such period *minus* (b) the average cost of average interest-earning bearing liabilities during such period. Where such is for a particular currency, then such is determined with respect to the assets and/or liabilities denominated in such currency only; otherwise, such is calculated on a weighted average amongst all currencies.

See “Summary Financial and Other Information,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Selected Statistical and Other Information” and “The Group and its Business” for further information on certain such calculations.

The following are definitions of certain terms that are used in the calculations of the terms defined above (such terms being used in this Offering Memorandum as they are defined below except to the extent specifically stated otherwise):

average interest-bearing liabilities: For a particular year, this is the average of such year’s year-end interest-bearing liabilities and the previous year’s year-end interest-bearing liabilities.

average interest-earning assets: For a particular year, this is the average of such year’s year-end interest-bearing assets amount and the previous year’s year-end interest-bearing assets.

average equity: For a particular year, this is the average of such year’s year-end equity and the previous year’s year-end equity.

average total assets: For a particular year, this is the average of such year’s year-end total assets and the previous year’s year-end total assets.

average total loan portfolio: For a particular year, this is the average of such year’s year-end total loans and the previous year’s year-end total loans.

interest-earning assets: For a particular date, this is the total amount of the interbank, loan portfolio, net, investments, bank and other foreign financial entities, deposits in Central Reserve Bank of Perú and deposits in banks and other local financial entities as of such date.

interest-bearing liabilities: For a particular date, this is the total amount of the interest-bearing portion of demand and obligations with the public and deposits from financial institutions, payables from repurchase agreements and due to banks, bonds and others as of such date.

NPLs: As of a particular date, this (“NPLs”) is loans past due and loans under legal collection as of such date.

The following tables provide additional information with respect to the calculation of certain of the items indicated above.

Cost of Risk	2020	2021	2022	2023
	<i>(Soles thousands, except percentages)</i>			
Total loan portfolio at end of year	70,575,574	74,549,586	73,187,957	74,899,411
Average total loan portfolio for year	NA	72,562,580	73,868,772	74,043,684
Provision for loan losses, net of recoveries at end of year ..	NA	(752,691)	(984,612)	(1,963,483)
Cost of risk	NA	1.04%	1.33%	2.65%
Return on Average Equity	2020	2021	2022	2023
	<i>(Soles thousands, except percentages)</i>			
Net profit for year.....	NA	1,560,500	1,921,759	1,873,736
Equity at end of year	9,361,856	10,168,729	11,253,374	12,369,668
Average equity for year.....	NA	9,765,292	10,711,052	11,811,521
Return on average equity	NA	15.98%	17.94%	15.86%
Net Interest Margin	2020	2021	2022	2023
	<i>(Soles thousands, except percentages)</i>			
Gross financial margin for year.....	NA	3,638,543	4,613,317	5,357,000
Average interest-earning assets for year.....	NA	95,923,191	91,205,773	90,383,904
Interest-earning assets for year	98,822,187	93,024,194	89,387,351	91,380,457
Net interest margin	NA	3.79%	5.06%	5.93%
Return on Average Total Assets	2020	2021	2022	2023
	<i>(Soles thousands, except percentages)</i>			
Net profit for year	NA	1,560,500	1,921,759	1,873,736
Total assets at end of year.....	107,337,268	101,495,755	98,045,446	104,323,802
Average total assets for year.....	NA	104,416,512	99,770,601	101,184,624
Return on average total assets	NA	1.49%	1.93%	1.85%
NPL ratio (Bank-only)		2021	2022	2023
	<i>(Soles thousands, except percentages)</i>			
Loans past due and loans under legal collection at end of year.....		2,755,251	3,198,454	3,527,860
Total loan portfolio at end of year		74,445,674	73,120,064	74,840,448
NPL ratio (Bank-only)		3.70%	4.37%	4.71%
Coverage Ratio (Bank-only)		2021	2022	2023
	<i>(Soles thousands, except percentages)</i>			
Total provision for direct loan losses at end of year.....		4,605,836	4,626,261	4,865,382
Loans past due and loans under legal collection at end of year.....		2,755,251	3,198,454	3,527,860
Coverage ratio (Bank-only)		167.17%	144.64%	137.91%

Currency Presentation and Exchange Rates

In this Offering Memorandum, all references to: (a) “*Sol*” and “*S/*” refer to the lawful currency for the time being of Perú and (b) “*U.S. dollars*,” “*US\$*” and “*\$*” refer to United States dollars.

No representation is made that the Sol or U.S. dollar amounts in this Offering Memorandum could have been or could be converted into U.S. dollars or Peruvian Soles, as the case may be, at any particular rate or at all. For a discussion of the effects on the Group of fluctuating exchange rates, see “Risk Factors - Risks Relating to the Group and its Business - Market Risks - Foreign Exchange and Currency Risk” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Certain Defined Terms, Conventions and Other Considerations in Relation to the Presentation of Information in this Offering Memorandum

Reference is made to the “Index of Defined Terms” for the location of the definitions of certain terms defined herein.

In this Offering Memorandum: (a) “Bank” or “Issuer” means Banco BBVA Perú on a standalone basis and “Group” means the Bank and its subsidiaries (or, with respect to consolidated accounting information, the Bank and entities that are consolidated into the Bank), (b) the term “law” shall (unless the context otherwise requires) be deemed to include legislation, regulations and other legal requirements and (c) unless the contrary intention appears, a reference to a law (including a provision of a law) is a reference to that law (or provision) as extended, amended or re-enacted.

Certain figures and percentages included in this Offering Memorandum have been subject to rounding adjustments and, accordingly, figures shown in the same category presented in different tables might vary slightly and figures shown as totals in certain tables might not be an arithmetic aggregation of the figures that precede them.

All of the information contained in this Offering Memorandum concerning the Peruvian market and Peruvian banks has been obtained (and extracted without material adjustment) from publicly available information. All such data relating to the Peruvian banking sector have been obtained from the website of the SBS at www.sbs.gob.pe, the website of the SMV at www.gob.pe/smv or the website of the Association of Peruvian Banks (in Spanish: *Asociación de Bancos del Perú*) (the “ASBANC”) at www.asbanc.com.pe as well as information published by other Peruvian banks. All such data relating to the Peruvian economy, including statistical data, have been obtained from the website of the Peruvian National Institute of Statistics and Informatics (in Spanish: *Instituto Nacional de Estadística e Informática*) (“INEI”) at www.gob.pe/inei, the website of the Central Reserve Bank of Perú (in Spanish: *Banco Central de Reserva del Perú*) (the “Central Bank” or “BCRP”) at www.bcrp.gob.pe or the website of the Ministry of Economy and Finance of Perú (in Spanish: *Ministerio de Economía y Finanzas*) (the “MEF”) at www.gob.pe/mef. Such data have been extracted from such websites without material adjustment but might not appear in the exact same form on such websites or elsewhere. Such websites do not, and shall not be deemed to, constitute a part of, nor are incorporated into, this Offering Memorandum. Certain information under the heading “DTC and Summary of Certain Provisions Relating to the Notes in Global Form” has been extracted from information provided by the Clearing Systems referred to therein.

Where other third-party information has been used in this Offering Memorandum, the source of such information has been identified. The Issuer confirms that all such information has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from the relevant published information, no facts have been omitted that would render the reproduced information inaccurate or misleading. Without prejudice to the generality of the foregoing statement, third-party information in this Offering Memorandum, while believed to be reliable, has not been independently verified by the Issuer or any other Person.

In the case of the presented statistical information, similar statistics might be obtainable from other sources, although the underlying assumptions and methodology, and consequently the resulting data, might vary from source to source. Where information has been sourced from a third party, such publications generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of such information is not guaranteed.

The language of this Offering Memorandum is English. Certain legal references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law. In particular, but without limitation, the titles of Peruvian laws and the names of Peruvian institutions referenced herein have been translated from Spanish into English. The translations of these titles and names are direct and accurate.

Information in this Offering Memorandum regarding the Bank’s shareholders has been based upon public filings, disclosure and announcements by such shareholders.

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OVERVIEW OF THE OFFERING

The following overview of the offering does not contain all of the information that might be important to prospective investors in the Notes. This entire Offering Memorandum, including the more detailed information regarding the Bank's business and the Consolidated Annual Financial Statements, should be read carefully. Investing in the Notes involves risks. The information set forth under "Risk Factors" should be carefully considered. Certain statements in this Offering Memorandum are forward-looking statements that also involve uncertainties as described in "Cautionary Statement Regarding Forward-Looking Statements."

The Group

General

The Bank was founded on August 20, 1951 by a group of private individuals to provide financial services in Perú. In 1970, the Bank was nationalized by the Peruvian government, and remained as a state-owned entity until the Bank was partially privatized in 1992. In May 1995, a consortium named Holding Continental S.A. ("*Holding Continental*"), which was formed by the Spanish group Banco Bilbao Vizcaya (now known as Banco Bilbao Vizcaya Argentaria, S.A. ("*BBVA*")) and certain entities forming a part of a Peruvian group associated with the Brescia family of Perú ("*Grupo Breca*"), purchased 60.00% of the Bank's shares. As of the date hereof, Holding Continental is owned 50.00% by BBVA, a leading Spanish bank (together with its subsidiaries, the "*BBVA Group*"), and 50.00% by Grupo Breca.

In July 1998, the Peruvian government sold its remaining shares in the Bank, or the equivalent of 19.12% of the Bank's total shares, in an initial public offering. Since 1995, Holding Continental has increased its ownership stake in the Bank to 92.24%, including through the purchase of shares on the secondary markets. Since 2016, as a result of a corporate restructuring, each of BBVA Perú Holding S.A.C. (a subsidiary of BBVA) and Holding Continental (a member of Grupo Breca) has owned 46.12% of the Bank's outstanding capital stock; *however*, as BBVA manages the Bank, the Bank is a member of (and consolidates into) the BBVA Group. The remaining shares in the Bank trade on the BVL, with the principal holders of such shares as of the date of this Offering Memorandum including the largest Peruvian pension fund managers (e.g., AFP Integra S.A., Prima AFP S.A. and Profuturo AFP S.A.).

The Bank, which is present in every region of Perú, served more than 9.0 million customers in 2023. As of December 31, 2023, the Group was the second largest banking group in Perú in terms of assets, loans, equity, deposits and branches. As of December 31, 2023, the Group had total assets of S/104,323,802 thousand, a loan portfolio net of S/70,647,238 thousand, total deposits and obligations with the public and deposits from financial institutions of S/70,726,777 thousand and total equity of S/12,369,668 thousand. As of or for the year ended December 31, 2023, the Group had an efficiency ratio of 38.11%, a return on average equity of 15.86%, an NPL ratio of 4.72% and a coverage ratio of 138.52%.

The banking sector in Perú is heavily concentrated among four dominant banks: the Bank, Banco de Crédito del Perú S.A. ("*BCP*"), Scotiabank Perú S.A.A., a subsidiary of The Bank of Nova Scotia ("*Scotiabank*"), and Banco Internacional del Perú S.A.A. ("*Interbank*"). Together, these four banks had a collective market share of 83.40% of performing loans and 82.21% of deposits as of December 31, 2023, with the Bank alone representing 21.15% and 20.78%, respectively.

The Bank is a full-service financial institution providing, including through its subsidiaries, a wide variety of banking and financial products and services to individual and commercial customers in Perú. In addition to operating through the Bank's nationwide network branches (325 as of December 31, 2023, the second largest branch network in the country as of such date), the Bank serves its customers through its automated teller machines ("*ATMs*") (1,951 as of December 31, 2023) and digital banking services. The Bank places a significant focus on distributing its banking services efficiently and in a manner accessible to its customers, including through the use of telephone and digital banking services.

Through its wholly owned subsidiaries, the Bank offers specialized financial services to complement its banking activities, including brokerage services offered through BBVA Sociedad Agente de Bolsa S.A. ("*BBVA Bolsa*"), asset management services offered through BBVA Asset Management S.A. Sociedad Administradora de Fondos ("*BBVA Asset Management*") and securitization services offered through BBVA Sociedad Titulizadora S.A. ("*BBVA Titulizadora*").

For 2023, the Group's net profit was S/1,873,736 thousand, a decrease of 2.5% from S/1,921,759 thousand in 2022, itself an increase of 23.2% from S/1,560,500 thousand in 2021. In 2022, the increase was mainly due to a 25.7% increase in net financial margin, including due to a 34.3% increase in interest income resulting from the increase in the Group's portfolio of direct loans (which more than offset the decline in the investment portfolio) and increases in market interest rates. This increased interest income exceeded the increase in interest expenses, though those increased by 77.3% largely as a result of the repricing of deposits during an increasing interest rate environment (which more than offset the decline in debts and financial obligations). In 2023, the decline was primarily the result of significant increases in provisions for direct loans, net of recoveries, which increased by 99.4% due to the negative impact on retail and small- and medium-size business ("SMEs") customers from the macroeconomic shocks associated with the political uncertainty during the first months of the year, weather events and economic deceleration in the last part of the year. The impact of these provisions more than offset the 16.1% increase in gross financial margin (itself reflecting a 32.2% increase in interest income and a 98.0% increase in interest expenses, both largely due to the higher interest rate environment in 2023).

The Bank's primary source of funding are retail deposits, which are much more cost-effective than wholesale funding or commercial deposits. As of December 31, 2023, total deposits, which consist of obligations to the public (*i.e.*, both retail and non-financial institution wholesale deposits) and deposits from financial system entities, represented 76.92% of the Group's total liabilities. The Bank has been able to complement funding from deposits with diversified funding from multilateral institutions and other foreign financial institutions as well as through the issuance of debt instruments in the domestic and international capital markets.

The Bank's total capital ratio as of December 31, 2023 was 15.59% as compared to the minimum 9.0% ratio required by Peruvian banking regulations as of such date. In addition, Peruvian financial institutions must meet additional capital requirements related to conservation, economic cycle and market concentration risk buffers as well as an additional capital requirement that depends upon certain levels of loan concentration in certain categories (individual, sectorial and geographical). Such requirements for the Bank totalled 2.13% as of December 31, 2023, thus increasing its regulatory requirement to 11.13%, thus still well below the Bank's total capital ratio. Furthermore, the Bank has a core equity (Tier I) ratio of 12.33% as of such date, again above the minimum regulatory requirement of 7.03%. In connection with the implementation of Basel III standards, the SBS has issued several regulations to increase gradually the minimum total capital ratio for Peruvian financial institutions until 2026. For more information, see "Supervision and Regulation – Basel III – Capital Adequacy Requirements."

Certain measurements of the Group's financial performance as of or for the years ended December 31, 2021, 2022 and 2023 are set forth in the following table:

Key ratios	As of (or for the year ended) December 31		
	2021	2022	2023
Return on average total assets	1.49%	1.93%	1.85%
Return on average equity	15.98%	17.94%	15.86%
Net interest margin	3.79%	5.06%	5.93%
Efficiency ratio	39.55%	39.25%	38.11%
NPL ratio	3.73%	4.38%	4.72%
Provisions for loan losses to total gross direct loans	6.25%	6.37%	6.54%
Coverage ratio	167.64%	145.38%	138.52%

The Bank's registered office is located at Av. República de Panamá No. 3055, San Isidro, Lima, Perú, telephone number (51) (1) 209-1000. The Bank's tax registration number is 20100130204.

Key Strengths

The Bank's management believes that the Group has a number of key strengths that enable the Group to compete effectively in the Peruvian banking sector. The Bank's management sees these key strengths as being:

A leading position in the Peruvian banking sector. The Bank's strong brand recognition and solid reputation have contributed to its leading position in Perú. The Bank has been one of the leading financial institutions in the Peruvian financial system for over 30 years and has grown considerably in recent years, reflecting the success of its franchise and improvements in the Peruvian economy over that time. For example, as of December 31, 2023, the Bank had a 21.15% market share in terms of performing loans,

ranking second among Peruvian banks. The Bank had more than 9.0 million customers as of December 31, 2023, comprised of approximately 8.4 million retail customers and 600,000 middle-market and corporate customers.

Operating in a strong economic environment within Latin America. The Bank conducts substantially all of its business in Perú. As of the date hereof, Perú held investment grade ratings of “BBB” from Standard & Poor’s (“*Standard & Poor’s*”), “Baa1” from Moody’s Investors Service Limited (“*Moody’s*”) and, with Standard & Poor’s, the “*Rating Agencies*”) and “BBB” from Fitch Ratings Limited (“*Fitch*”); *however*, in December 2022 and January 2023, each of Standard & Poor’s, Moody’s and Fitch changed Perú’s credit outlook to negative from stable due to higher political risk.

Opportunity for growth from existing and new customers. Based upon the Bank’s extensive distribution network, expertise and reputation, the Bank is well positioned to benefit from the substantial opportunity for growth based upon the relatively low penetration of retail banking services in Perú and a growing demand for financial products in the Peruvian corporate sector.

Sound risk management policies. In 2022 and 2023, in accordance with the Bank’s strategy of increasing its retail business, the Bank’s 4.71% NPL ratio as of December 31, 2023 exceeds the 4.31% average of the Peruvian financial system as of such date. As retail loans tend to have higher default rates than loans to large corporates, the growth in the Bank’s retail loan portfolio (from 29.7% of the Bank’s loans as of December 31, 2021 to 37.1% as of December 31, 2023) resulted in a higher NPL ratio; *however*, the Bank’s NPL ratio for retail lending is below that of the Peruvian financial system (the Bank’s NPL of retail (including micro) was 2.6% as of December 31, 2023 compared with 3.4% for the Peruvian banking sector). The Bank’s NPL ratio of enterprise (considering corporates, large enterprises, middle enterprises and small enterprises) was 5.9% for the Bank as of such date compared with 4.9% for the Peruvian banking sector. NPL ratios are also impacted by refinanced loans, write-offs or sales of loans (including NPLs), which was a common activity of Peruvian banks during 2022 and 2023; *however*, the Bank was less active in this regard and thus its NPL ratio was less positively impacted by such write-offs and sales.

Develop and launch new businesses. The Bank seeks to innovate and diversify its offerings to meet the evolving needs of its customers. For example, the Bank (with a consortium with other banks in the country) launched “Plin” in 2019, a peer-to-peer payment platform that allows customers to transfer funds between accounts at participating banks. In 2023, the Bank embarked on two new business ventures: (a) OpenPay, a business that processes credit card and other payments, and (b) PowerPay, a buy-now-pay-later solution for sellers and buyers. Via these initiatives, the Bank aims to enhance its payment ecosystem solutions and bolster its presence in transactional businesses that align with its core banking operations.

Strong brand. The Bank has one of the most highly regarded and widely recognized brands in the Peruvian market. With 73 years of continuous activity, the Bank is widely recognized by Peruvian clients as a modern financial institution, adapted to the shifting needs of dynamic markets, but without losing its essential identity as a traditional Peruvian institution serving Peruvians who seek progress and growth domestically and abroad.

Cross-selling capabilities. In addition to banking and insurance products, the Bank offers its customers additional financial products and services through the Bank’s subsidiaries or companies controlled by the Bank’s shareholders. The Bank’s management believes that the Bank gains a competitive advantage from its subsidiaries and affiliates, which are market leaders in their respective areas and are well-positioned to provide the Bank with cross-selling opportunities.

Experienced shareholders. The Bank benefits significantly from being part of the BBVA Group, which is one of the main financial groups in Spain and has a significant presence throughout Latin America, holding interests in banks, insurance companies and pension funds in Argentina, Bolivia, Chile, Colombia, Mexico, Perú, Uruguay and Venezuela. The Bank’s other principal shareholder, Grupo Breca, is one of the largest corporate conglomerates in Perú, with investments across most economic sectors, including mining, banking, insurance, real estate, tourism and fishing, some of which have publicly listed shares on the BVL.

Experienced management team. The Bank's management team has significant experience in the banking sector and the expertise to identify and offer products and services that meet the needs of the Group's customers while maintaining effective risk management and profitability.

These key strengths are discussed in further detail in "The Group and its Business – Key Strengths."

Strategy

The Bank's strategy is to manage sustainable profitability by leveraging its position as one of the leading banks in the Peruvian financial system and its cross-selling potential among its broad corporate and retail customer base. BBVA has defined its strategic priorities on a global basis, which are: (a) enhancing customers' financial health, (b) supporting customers in transitioning to a sustainable future, (c) customer growth, (d) achieving operational excellence, (e) building the best and most committed team and (f) investing in data and technology. These priorities have been used to define the strategic priorities at a country level, including the Bank's strategic priorities in Perú.

In 2024, the Bank intends to continue focusing its strategy on satisfying a market that over the years has been growing and becoming increasingly sophisticated, while maintaining its levels of efficiency, profitability and asset quality, thus further consolidating itself as a main player in the Peruvian financial system. The Bank's primary strategies to achieve its goals are summarized below:

Enhancing customers' financial health. The Bank aims to strengthen its customer relationships by transforming its channels into comprehensive providers of financial solutions, going beyond managing and acquiring financial products. For example, the Bank's "Financial Health" program, which was introduced in 2019, aims to provide customers with tools for better personal finance management.

Supporting customers in transitioning to a sustainable future. The BBVA Group is committed to achieving carbon neutrality in its portfolio by 2050, supporting customers in their journey towards a sustainable future. As of December 31, 2023, the Bank's S/5,122 thousand portfolio of sustainable loans exceeded by 31% its goal for the year of S/3,910 thousand and represented 106% of the S/2,489 thousand total as of December 31, 2022. The December 31, 2023 result was comprised of S/872 thousand in mortgage and consumer loans, S/2,444 thousand in loans to SMEs and S/1,807 thousand in loans to corporates and large enterprises. In 2023, the Bank established itself as a sustainability leader in Perú, being the only bank in the country included in the Dow Jones Sustainability Index. Additionally, the Bank was recognized by Euromoney magazine in 2023 as the best ESG bank in Perú, highlighting the Bank's efforts to reduce its carbon footprint and provide sustainable financing alternatives to customers. The Bank also gained recognition in 2023 from the International Finance Corporation ("IFC"), a member of the World Bank Group, as the first "EDGE Champion" in the Peruvian banking industry after certifying more than 250,000 square meters of sustainable construction built to EDGE standards. Other third-party recognition includes the Bank's inclusion in the S&P/BVL Perú General ESG index, the first sustainable index stock market in Perú, and receiving a third star in the MINAM Carbon Footprint tool.

Customer growth. The Bank aims to accelerate its growth to serve more customers across various segments through physical and digital channels. In 2023, the Bank continued its growth by acquiring 498,280 new customers, with about 60% of such customers initiating their relationship with the Bank via a digital platform. This underscores the significant opportunity to further expand the Bank's digital channel, reach more high-value customers and solidify its position as a top choice in Perú for digital financial products. With the integration of OpenPay, the Bank achieved a milestone of approximately 46,000 active merchants per month in 2023 and a transaction flow exceeding S/1,200 million per month in 2023.

Achieving operational excellence. The Bank focuses on digitizing its products and channels, aiming to provide personalized advice and high-value operations while maintaining operational efficiency. Throughout 2023, the Bank continued to improve and optimize the processes in its branches and offices, creating a better experience for both internal and external customers through centralized and automated operational activities.

Building the best and most committed team. The Bank aims to always have its purpose and values at the center of its strategy, making its team a fundamental pillar. In this regard, the Bank continuously seeks to attract and retain the best talent, improve the experience of its collaborators and reposition its employer brand while focusing on the growth of its teams and the development of skills in line with its strategic

priorities. In recent years, significant improvements have been made in the employee experience and development, with initiatives such as the opening of the first gym at the central headquarters, the Vive+ App (the first centralized employee benefits/wellbeing app among Peruvian banks), Red Connection (a space to promote awareness of business processes for employees at headquarters) and The Good Manager (a program launched in 2023 that supports the development of managers' leadership skills).

Investing in data and technology. Data and technology are two key enablers for the strategic plan and comprehensive transformation of the Bank. In 2023, efforts continued to improve the Bank's data processes, with a focus on ensuring data availability and reuse in terms of visualization and self-service, thereby accelerating the creation of analytical value within the organization. In addition, the Bank's "Golden Data" IT platform, which seeks to democratize access to information within the Bank, was strengthened with the aim of ensuring data quality at the source through effective governance and simplified access to the most demanded data. In terms of technology, the focus remained on migrating transactional process execution to systems with lower costs and higher productivity. Furthermore, significant improvements were made in 2023 in commercial systems for individuals and businesses, along with progress in enhancing fraud predictability and containment.

Building upon the strategies outlined above, the Bank seeks to enhance the Group's financial performance and operational efficiency, delivering sustainable returns for its shareholders while optimizing its resources to drive efficiency across all facets of its operations. The Bank seeks, through prudent financial management and strategic decision-making, to maintain its position as a leading force in the Peruvian banking industry, delivering value to both its customers and investors alike. To that end, the Bank's primary strategic goals are: (a) increasing the Bank's interest income from its retail banking business, (b) increasing the Bank's net interest margin through higher financial income and lower funding costs and (c) increasing the Bank's non-interest income.

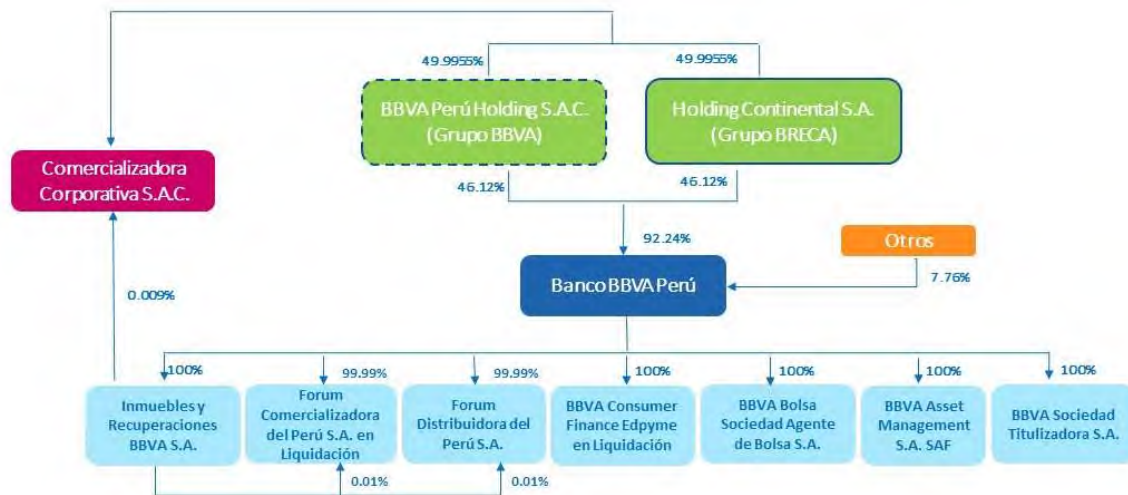
The Bank's strategies are discussed in further detail in "The Group and its Business – Strategy."

The Group's Corporate Structure

The Bank's corporate structure consists of a group of wholly owned subsidiaries offering specialized financial services that complement the Bank's commercial banking activities. The Bank does not have any undertakings or minority interests except for Comercializadora Corporativa S.A., which is majority owned (indirectly) by BBVA. These entities, whose legal address is Av. República de Panamá No. 3055, San Isidro, Lima, Perú, include:

- *BBVA Bolsa Sociedad Agente de Bolsa S.A.*, a wholly owned subsidiary that is engaged in portfolio advisory and brokerage services on the BVL.
- *BBVA Asset Management S.A. Sociedad Administradora de Fondos*, a wholly owned subsidiary that is dedicated to the administration of mutual funds.
- *BBVA Sociedad Titulizadora S.A.*, a wholly owned subsidiary that provides trustee services for asset securitizations structured by the Bank.
- *Inmuebles y Recuperaciones BBVA S.A. ("IRBSA")*, a wholly owned subsidiary that manages troubled assets and foreclosed property and equipment.
- *BBVA Consumer Finance Edpyme en liquidación*, a wholly owned subsidiary that provides financial services to SMEs. This subsidiary is currently undergoing a voluntary liquidation process.
- *Forum Comercializadora del Perú S.A. en liquidación*, a wholly owned subsidiary that is dedicated to granting vehicle credits for the retail sector and marketing related insurance products. This subsidiary is currently undergoing a voluntary liquidation process.
- *Forum Distribuidora del Perú S.A.*, a wholly owned subsidiary that is dedicated to granting vehicle credits for the commercial sector and marketing related insurance products.
- *Comercializadora Corporativa S.A.*, a member of the BBVA Group that, in coordination with the Bank, offers financial, insurance and other products in Perú.

The following chart sets forth the Bank's ownership and corporate structure:



Risks described in Risk Factors

Investing in the Notes entails risks. Before investing in the Notes, potential investors should carefully review “Risk Factors” below, which sets out certain risks relating to political, economic and legal circumstances, the Peruvian banking industry, the Group and its business, the Group’s relationship with its shareholders and the Notes themselves. Potential investors in the Notes should not consider the factors discussed under “Risk Factors” to be a complete set of all potential risks or uncertainties of investing in the Notes.

Overview of the Notes

The following overview sets out key information relating to the offering of the Notes, including the essential characteristics of, and risks associated with, the Issuer and the Notes. The following is indicative only, does not purport to be complete and is qualified in its entirety by the more detailed information appearing elsewhere in this Offering Memorandum.

- Issue:** US\$300,000,000 Subordinated Notes due 2034, which are issued in compliance with the Subordinated Debt Regulation and the SBS Approval.
- Issue Price:** 100.00% of the principal amount of the Notes plus accrued interest, if any, from March 7, 2024.
- Interest and Interest Payment Dates:** The Notes will bear interest from (and including) the Issue Date (*i.e.*, March 7, 2024) to (but excluding) the Reset Date (*i.e.*, June 7, 2029) (or, if applicable, an earlier Redemption Date) at a rate of 6.20% *per annum*. From (and including) the Reset Date to (but excluding) the Stated Maturity Date (*i.e.*, June 7, 2034) (or, if applicable, an earlier Redemption Date), the Notes will bear interest at a *per annum* rate equal to the Reset Interest Rate (*i.e.*, a *per annum* rate equal to the sum of: (a) the Benchmark Reset Rate *plus* (b) 2.002% *per annum*). Interest will be payable semi-annually in arrear on each Interest Payment Date (*i.e.*, June 7 and December 7 in each year) up to (and including) the Stated Maturity Date; *provided* that if any such date is not a Business Day, then the Issuer will pay the applicable interest on the next day thereafter that is a Business Day, with the same force and effect as if paid on such Interest Payment Date, and no interest will accrue on the amount so payable for the period from and after such Interest Payment Date or Stated Maturity Date, as applicable. The first Interest Payment Date will be such day in June 2024, noting that such first interest period is thus short.
- Stated Maturity Date:** Unless previously redeemed or purchased and cancelled as provided in “Description of Notes,” the Notes will be redeemed by the Bank on the Stated Maturity Date (*i.e.*, June 7, 2034) at a redemption price equal to 100% of the aggregate principal amount of the Notes *plus* all accrued and unpaid interest up to, but excluding, the Stated Maturity Date and Additional Amounts, if any.
- Use of Proceeds:** The net proceeds of the offering of the Notes will be used by the Bank for general corporate purposes; *provided* that some or all of such proceeds might be used in connection with the purchase (and cancellation) and/or prepayment of the Bank’s US\$300,000,000 5.250% Subordinated Notes due 2029 (the “*Existing Tier II Notes*”). See “Use of Proceeds.”
- Regulatory Treatment:** Application was made by the Bank to the SBS for confirmation that the full principal amount of the Notes will qualify for initial treatment as “Tier II” capital as provided in the Subordinated Debt Regulation, which approval (*i.e.*, the SBS Approval) has been received. See “Supervision and Regulation - Basel III - Capital Adequacy Requirements - Tier II Rules.”

Status and Subordination: The Notes will constitute direct, unsecured and subordinated obligations of the Issuer and, in the event of Intervention of the Bank by the SBS or the Bank's Liquidation or equivalent proceedings under the Peruvian Banking Law and regulations thereunder, will rank:

- (a) junior in right of payment to all of the Issuer's existing and future Senior Obligations,
- (b) *pari passu* in right of payment with all of the Issuer's existing and future Parity Obligations, and
- (c) senior in right of payment to all of the Issuer's existing and future Junior Obligations.

By virtue of such subordination of the Notes, no amount will, in the case of an Intervention by the SBS or Liquidation of the Bank, be paid under the Notes until all payment obligations in respect of Senior Obligations have been satisfied.

Loss Absorption: Pursuant to the Peruvian Banking Law and regulations promulgated thereunder, the SBS will, when applicable, in the case of an Intervention (as defined in "Description of Notes - Loss Absorption") by the SBS or the Liquidation of the Bank, use accrued and unpaid interest payable under, and the principal of, the Notes (along with Parity Obligations), in that order and on a prorated basis and *pari passu* among them, to absorb losses of the Bank. If the SBS were to do so, then any losses of the Bank would be absorbed first by the instruments that qualify as Tier I Regulatory Capital, second by equity instruments that qualify as Tier II Regulatory Capital and third by other Tier II Regulatory Capital (such as the Notes), in that order. As a result of any such action by the SBS that results in loss absorption by the Notes, such amount of principal and interest on the Notes would not be paid to the Holders of the Notes. See "Risk Factors – Risks Relating to the Notes – Risks Relating to the Structure of the Notes – Loss Absorption."

No Insurance or Contractual Support: The Notes will not be insured by any insurance provided or arranged by the Bank or benefit from any contractual support agreement provided or arranged by the Bank.

Certain Covenants: The Indenture contains certain covenants that limit or restrict the Issuer's ability to, among others, consolidate or merge with or into any other person or convey or transfer its properties and assets substantially as an entirety to any person. Please refer to "Description of Notes – Limited Covenants."

Optional Redemption: On any date during the Optional Redemption Period (*i.e.*, from (and including) the fifth anniversary of the Issue Date to (and including) the Reset Date), subject to the prior approval of the SBS or any other then-applicable Peruvian Governmental Authority, if then required, the Bank may at its option redeem the Notes, in whole or in part, upon giving not less than 10 days' (or, to the extent required by an applicable clearing system, such longer period) but no more than 60 days' notice to the Holders of the Notes, at a redemption price equal to 100% of the aggregate

principal amount of the Notes being redeemed *plus* any accrued and unpaid interest on the principal amount of the Notes being redeemed up to, but not including, the applicable date fixed for such redemption (the “*Redemption Date*”) *plus* Additional Amounts, if any (subject to the right of Holders of record on the relevant Record Date to receive interest due on the relevant Interest Payment Date); *provided* that such redemption: (a) must comply with the requirements set forth in the Subordinated Debt Regulation and (b) is not prohibited by Peruvian law or regulation (which includes the Peruvian Banking Law, the Subordinated Debt Regulation and any other applicable regulation issued by the SBS and any Central Bank regulations).

Please refer to “Description of Notes – Redemption Prior to Maturity – Optional Redemption.”

Optional Redemption for Tax Event: At any time with the prior approval of the SBS or any other then-applicable Peruvian Governmental Authority, if then required, the Bank may redeem the Notes in whole, but not in part, upon giving not less than 10 days’ (or, to the extent required by an applicable clearing system, such longer period) but no more than 60 days’ notice to the Holders of the Notes, following the occurrence of a Tax Event; *provided* that such redemption: (a) must comply with the requirements set forth in the Subordinated Debt Regulation and (b) is not prohibited by Peruvian law or regulation (which includes the Peruvian Banking Law, the Subordinated Debt Regulation and any other applicable regulation issued by the SBS and any Central Bank regulations). In the case of such a redemption, the Bank will redeem the Notes at a redemption price equal to 100% of the aggregate principal amount of the Notes *plus* any accrued and unpaid interest on the principal amount of the Notes up to, but excluding, the applicable Redemption Date *plus* Additional Amounts, if any (subject to the right of Holders of record on the relevant Record Date to receive interest due on the relevant Interest Payment Date).

“*Tax Event*” means: (a) any change in or amendment (including any announced prospective change) to the laws, treaties or regulations of Perú or any political subdivision or governmental authority thereof, (b) any judicial decision, administrative resolution or order, other official administrative act or announcement or other regulatory procedure of Perú or any political subdivision or governmental authority thereof (each an “*Administrative Action*”) or (c) any amendment to or change in the official position or the official interpretation of an Administrative Action that provides for a position with respect to such Administrative Action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body having appropriate jurisdiction, irrespective of the manner in which any such amendment, change or Administrative Action is made known, which amendment or change is effective or such Administrative Action is announced on or after the Issue Date and such amendment, change or Administrative Action was not reasonably foreseeable at the time the Notes were issued, that results in the Bank becoming obligated to pay or liable for: (i)

Additional Amounts payable in respect of the Notes in excess of the gross amount of Additional Amounts payable in respect of the Notes prior to such amendment, change or Administrative Action or (ii) any Peruvian value added taxes imposed in respect of payments of interest on the Notes to the extent that such Peruvian value added taxes cannot be offset against any other tax liabilities that may arise out of the Bank's ordinary course of business; *provided* that such obligation cannot be avoided by taking reasonable measures available to the Bank (such measures not involving any material cost to the Bank or the incurring of any material tax or penalty).

Please refer to "Description of Notes – Redemption Prior to Maturity – Redemption Upon a Tax Event or Regulatory Event."

Optional Redemption upon a Regulatory Event: At any time with the prior approval of the SBS or any other then-applicable Peruvian Governmental Authority, if then required, the Bank may redeem the Notes in whole, but not in part, upon giving not less than 10 days' (or, to the extent required by an applicable clearing system, such longer period) but no more than 60 days' notice to the Holders of the Notes, following the occurrence of a Regulatory Event; *provided* that such redemption: (a) must comply with the requirements set forth in the Subordinated Debt Regulation and (b) is not prohibited by Peruvian law or regulation (which includes the Peruvian Banking Law, the Subordinated Debt Regulation and any other applicable regulation issued by the SBS and any Central Bank regulations). In the case of such a redemption, the Bank will redeem the Notes at a redemption price equal to 100% of the aggregate principal amount of the Notes *plus* any accrued and unpaid interest on the principal amount of the Notes up to, but excluding, the applicable Redemption Date *plus* Additional Amounts, if any (subject to the right of Holders of record on the relevant Record Date to receive interest due on the relevant Interest Payment Date).

"Regulatory Event" means that, as a result of: (a) any change in, or amendment to, the laws (or any regulations or rulings issued thereunder) of Perú or any political subdivision thereof or any regulatory authority therein or (b) any change in the application, administration or official interpretation of such laws, regulations or rulings, including, without limitation, the holding of a court of competent jurisdiction, which change or amendment becomes effective on or after the Issue Date, the Bank will no longer be entitled to treat the full, or the applicable portion of the, principal amount of the Notes as Tier II Regulatory Capital pursuant to the Peruvian Banking Law.

Please refer to "Description of Notes – Redemption Prior to Maturity – Redemption Upon a Tax Event or Regulatory Event."

Taxation; Payment of Additional Amounts: All payments in respect of the Notes will be made free and clear of and without any deduction or withholding for or on account of any present or future Taxes, unless the withholding or deduction of such Taxes is required by law or the official interpretation thereof or by the administration thereof. If the Bank is required by any law of any Taxing Jurisdiction to withhold or deduct any

Taxes from or in respect of any sum payable under the Notes, then the Bank will: (a) subject to certain specific exceptions, pay such additional amounts (“*Additional Amounts*”) as may be necessary in order that the net amounts receivable by Holders of the Notes after such withholding or deduction (including withholding or deduction with respect to such *Additional Amounts*) will equal the respective amounts that would have been receivable by such Holders in the absence of such withholding or deduction, (b) make such withholding or deduction and (c) pay the full amount withheld or deducted to the relevant tax or other authority in accordance with applicable law. Please refer to “Description of Notes – Payment of Additional Amounts.”

Under current Peruvian law, withholding tax at the rate of 4.99% generally applies on payments of interest on the Notes; *however*, different rates (up to 30%) might apply in certain circumstances. See “Taxation - Certain Peruvian Tax Considerations.”

Limited Rights of Acceleration; Acceleration Events:..... If the Bank fails to make payment of principal, interest or Additional Amounts, if any, on the Notes (and, in the case of payment of interest or Additional Amounts, such failure to pay continues for 30 days), then each Holder of the Notes has the right to demand and collect under the Indenture and the Notes, and the Bank will pay such Holders, the applicable amount of such due and payable principal, accrued interest and Additional Amounts, if any, on the Notes. There is no right of acceleration in the case of a default in any payment on the Notes (whether when due, upon redemption or otherwise) or the performance of any of the Bank’s other obligations under the Indenture, the Supplemental Indenture or the Notes.

Acceleration of any payments due under the Notes will occur only upon the occurrence and continuation of an Acceleration Event and following delivery of a notice by the Trustee to the Bank that the Notes are immediately due and payable. If an Acceleration Event occurs and notice has been provided by the Trustee to the Bank, then the Notes will become immediately due and payable and the rate at which interest will accrue on the Notes (to the extent the Notes have not been used to absorb any losses incurred by the Bank as described in “Description of Notes – Loss Absorption”) during the Liquidation or equivalent proceedings under Peruvian law will be limited to the legal interest rate for U.S. dollar-denominated indebtedness determined by the Central Bank from time to time and notified to the Trustee in writing by the Bank.

Pursuant to the Peruvian Banking Law, upon Intervention by the SBS, the operations of the Bank will be interrupted in order to prevent, or to control and reduce the effects of, the failure of the Bank. Upon Intervention by the SBS or the Liquidation of the Bank, the Securities may be used to absorb losses as described in “Description of Notes - Loss Absorption.”

Please see “Description of Notes – Acceleration Event” for further information.

Form, Transfer and Denominations:	Notes offered and sold in reliance upon Regulation S initially will be represented by beneficial interests in the Regulation S Global Note and Notes offered and sold in reliance upon Rule 144A initially will be represented by beneficial interests in the Rule 144A Global Note. Both of the Global Notes will be deposited on or about the Issue Date with the Custodian and registered in the name of Cede & Co. as nominee for DTC. Except in limited circumstances, definitive certificates for the Notes will not be issued to investors in exchange for beneficial interests in a Global Note. Interests in the Global Notes will be represented in, and transfers thereof will be effected only through, records maintained by DTC (or its direct or indirect participants, including Euroclear and Clearstream, Luxembourg, as applicable). Interests in the Notes will be subject to certain restrictions on transfer. See “Plan of Distribution - Selling Restrictions” and “Transfer Restrictions.” Notes will be issued in denominations of US\$200,000 and any integral multiple of US\$1,000 in excess thereof (each a “<i>Specified Denomination</i>”).
Open Market Purchases:	The Bank may: (a) if permitted by applicable Peruvian law and regulations (including the Peruvian Banking Law and the Subordinated Debt Regulation) in order for the Notes to continue qualifying as Tier II Regulatory Capital and (b) to the extent required, with the prior approval of the SBS or any other then-applicable Peruvian Governmental Authority, at any time purchase any Notes (or beneficial interests therein) in the open market or otherwise in any manner and at any price, which Notes (or beneficial interests) may be delivered (or, for beneficial interests in the Global Notes, notified) to the Trustee to be promptly cancelled by it.
Further Issues:	With the prior approval of the SBS, the Bank may from time to time and without the consent of the Holders (or holders of beneficial interests in Global Notes) issue additional notes (<i>Additional Notes</i>) with identical terms (other than issue date, issue price and, in certain cases, first Interest Payment Date) as the Notes; <i>provided</i> that if the Additional Notes are not fungible with the Notes for U.S. federal income tax purposes, then the Additional Notes will have separate “CUSIP” and “ISIN” numbers. Holders of Additional Notes would have the right to vote together with Holders of the Notes as one class. If any such Additional Notes are so issued, then (notwithstanding anything herein to the contrary), the Notes (and such Additional Notes) may not be redeemed as described in “-Optional Redemption” above before the fifth anniversary of the initial issue date of such Additional Notes.
ERISA:	Subject to certain conditions, the Notes may be invested in by an “employee benefit plan” as defined in and subject to Title I of the Employee Retirement Income Security Act of 1974, as amended, of the United States, a “plan” as defined in and subject to

Section 4975 of the Internal Revenue Code of 1986, as amended (the “Code”), of the United States or any entity whose underlying assets include “plan assets” of any of the foregoing. See “Certain Considerations for ERISA and other U.S. Employee Benefit Plans.”

Governing Law: The Notes and the Indenture (including the First Supplemental Indenture thereto dated as of the Issue Date pursuant to which the Notes are issued, being the “*Supplemental Indenture*”) will be governed by, and construed in accordance with, the laws of the State of New York; *provided* that, in the case of an Intervention of the Bank by the SBS or Liquidation of the Bank, and in connection with the subordination provisions of the Notes, the Peruvian Banking Law and the regulations promulgated thereunder will govern any such Intervention or Liquidation, and subordination, and will prevail over the application of any other law, regulation and contractual provision.

Listing and Admission to Trading:..... Application has been made by the Bank to Euronext Dublin for the Notes to be admitted to the Official List and to trading on GEM.

Peruvian Selling Restrictions: The offer and sale of the Notes (or beneficial interests therein) are subject to restrictions in Perú in accordance with applicable laws. See “Plan of Distribution - Selling Restrictions - Perú” and “Transfer Restrictions.”

Other Selling Restrictions: The Notes have not been and will not be registered under the Securities Act or any other U.S. federal or state securities laws and the Notes (and beneficial interests therein) may not be offered or sold within the United States or to, or for the account or benefit of, any U.S. person (as defined in Regulation S) except to QIBs in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The offer and sale of Notes (or beneficial interests therein) are also subject to restrictions in other jurisdictions, including the EEA (including Belgium), the UK, Hong Kong, Taiwan, Singapore, Japan, Canada, Switzerland, Chile, Colombia and Brazil. See “Plan of Distribution - Selling Restrictions.”

Risk Factors: There are certain factors that might affect the Issuer’s ability to fulfill its obligations under the Notes. The material of such factors are set out under “Risk Factors,” which includes risks relating to the Group and its business, the Group’s relationship with the Issuer’s principal shareholder, Perú and the Peruvian banking industry. In addition, there are certain other factors that are material for the purpose of assessing the risks associated with the Notes, including certain market risks. See “Risk Factors.”

Regulation S Notes Security Codes: ISIN: USP07760AH74
CUSIP: P07760AH7
CFI Code: DBXUGR
FISN: BANCO BBVA PER/SUB NT 2034 SUB
SUB

Rule 144A Notes Security Codes:..... ISIN: US058950AA48
CUSIP: 058950AA4
CFI Code: DBXUGR
FISN Code: BANCO BBVA PER/SUB NT 2034 SUB
SUB

Expected Initial Ratings: “BBB-” by Standard & Poor’s and “Baa3” by Moody’s.

Trustee, Transfer Agent, Registrar and

Principal Paying Agent: The Bank of New York Mellon

RISK FACTORS

An investment in the Notes involves risk. Prospective investors in the Notes should carefully consider the information contained in this Offering Memorandum, and in particular should consider all of the risks inherent in making such an investment before making a decision to invest in the Notes. Investors in the Notes assume the risk that the Issuer might become insolvent or otherwise be unable to make all payments due in respect of the Notes.

There is a wide range of factors that individually or together might result in the Issuer becoming unable to make payments due in respect of the Notes. It is not possible to identify all such factors as the Issuer might not be aware of all relevant factors and certain factors that it currently deems not to be material might become material as a result of the occurrence of future events of which the Issuer does not have knowledge as of the date of this Offering Memorandum. The Issuer has identified in this Offering Memorandum a number of factors that might materially adversely affect its ability to make payments due under the Notes; however, the Issuer does not represent that the risks set out in this Offering Memorandum are exhaustive or that other risks might not arise in the future. In addition, factors identified by the Issuer that are material for the purpose of assessing the market risks associated with the Notes are also described below.

Prospective investors in the Notes should consult with appropriate professional advisors to make their own legal, tax, business and financial evaluation of the merits and risks of investing in the Notes.

As a large Peruvian bank, the Issuer's business is significantly impacted by the condition of the Peruvian economy, which itself is significantly influenced by Peruvian political circumstances and global economic conditions. The category of risk factors entitled "Risks Relating to Perú" below describes the material risks relating to Perú that the Issuer's management has identified as potentially having a material impact on the Issuer, including those impacting materially on its business, financial condition and/or results of operations and thus on its ability to make payments due in respect of the Notes. In addition to the macroeconomic conditions relating to Perú, the Group's business, financial condition and results of operations, and thus its ability to make payments due in respect of the Notes, are also subject to significant risks specific to the Group, including the ones discussed in the category of risk factors entitled "Risks Relating to the Group and its Business" below. Prospective investors in the Notes should also consider risks relating to the structure of, and market for, the Notes, the material ones of which that have been identified by the Issuer's management are described in the category of risk factors entitled "Risks Relating to the Notes" below.

The exposure of the Group's business to a market downturn in Perú or the other markets in which it operates, or any other risks, might exacerbate or trigger other risks that the Group faces. For example, if the Group incurs substantial losses due to an economic downturn in Perú, then its need for liquidity and/or capital might rise sharply while its access to such liquidity and/or capital might be impaired. In addition, in conjunction with an economic downturn, the Group's counterparties might experience substantial financial difficulties of their own, thereby weakening their financial condition and increasing the credit risk of the Group's exposure to such counterparties. As such, the below risks should be understood in the context that more than one might apply concurrently and compound any adverse effects on the Group's business, financial condition and/or results of operations.

Risks Relating to Perú

The most material risk to the Issuer's ability to make payments due in respect of the Notes is that its business, including its loan portfolio, deposit base and government securities holdings, is concentrated in Perú. For example, as of December 31, 2023: (a) the Group's loans (net) constituted 67.72% of its total assets, substantially all of which loans were made to borrowers located in Perú, (b) the Group's deposits from customers (excluding deposits from financial institutions) constituted 75.26% of its total liabilities, all of which deposits were located in Perú, and (c) 8.63% of the Group's total assets were invested in securities issued by the Peruvian government.

The Group's business is significantly dependent upon its customers' desire to deposit funds with the Bank and borrow money from the Bank and their ability to meet their obligations to the Group, all of which is materially impacted by the strength of the Peruvian economy. A slowdown or downturn in the Peruvian economy because of, among other factors, inflation, an increase in domestic interest rates, a decrease in domestic or external demand, an increase in unemployment, changes in economic, monetary or fiscal policy or changes in exchange rates for the Sol might reduce the demand for the Group's services and products, negatively impact the ability of the Group's counterparties to meet their obligations to the Group and/or decrease the amount of deposits held at the Group.

Accordingly, the Group's business, financial condition and results of operations are significantly subject to the political and economic conditions prevailing in Perú, investors' confidence in Perú, the Peruvian regulatory environment and other conditions relating to Perú. These principal sub-categories of the risks relating to Perú are set out in "-Political Conditions," "-Economic Conditions" and "-Peruvian Regulatory and Other Matters" below.

Political Conditions

The political circumstances in Perú have had (and will continue to have) a material influence on the Peruvian economy, which in turn have resulted (and will continue to result) in material impacts on the Group's business, financial condition and/or results of operations. These conditions include (*inter alia*) domestic political events, Perú's relationship with other nations, internal and regional conflicts and the regulatory framework in Perú. The political conditions that the Issuer's management has identified as having a material impact on the Issuer, including on its ability to make payments due in respect of the Notes, are set out in this section.

Political Developments – Political developments in Perú might negatively affect the Group's business, financial condition and/or results of operations

Negative changes in Perú's domestic and/or international political circumstances, including the inability of the Peruvian government to devise or implement appropriate economic programs and the level of investor confidence in Perú's economic programs and governance, might adversely affect the stability of the Peruvian economy and, in turn, the Group's business, financial condition and/or results of operations.

The Peruvian political environment has at times been volatile, including experiencing a succession of regimes with differing economic policies and programs, followed by periods of stability. Beginning in 2018, Perú has suffered a series of government institutional crises due to, among other things, several corruption and political scandals involving prominent political figures, which have resulted in resignations and impeachment of various presidents, including most recently former President José Pedro Castillo in December 2022, as well as investigations of certain members of the judicial system and the public ministry who are now facing prosecution.

On December 7, 2022, Mr. Castillo announced his intention to dissolve the Peruvian Congress and to intervene in, among others, the Peruvian judicial branch and Superior Court. Mr. Castillo's actions were deemed to constitute an attempted coup, which led to his impeachment and arrest. According to the Peruvian Constitution, Mr. Castillo was succeeded by his then vice-president, Dina Boluarte. Following Mr. Castillo's impeachment, a wave of protests in support of Mr. Castillo arose across the country, which led President Boluarte to declare a state of emergency in several regions in Perú on December 12, 2022 and call for congressional approval of a bill to permit early elections in 2024; *however*, this proposal was rejected by Congress and Ms. Boluarte's government has gained some stability through alliances with the biggest political parties in Congress. As of the date of this Offering Memorandum, there are no indications of early elections and the government's economic policies signal consistency with those implemented prior to the Castillo administration.

The violent protests in several regions of Perú following Mr. Castillo's impeachment, which compounded significant political uncertainty over the preceding years, have raised concerns about the ability of the Peruvian government to implement long-term and consistent economic and social policies required to combat social and economic issues, including those designed to promote economic growth. This has been compounded by an increase in poverty that Perú experienced during the COVID-19 pandemic from 20.2% in 2019 to 30.1% in 2020 (poverty reduced to 27.5% in 2022 but remains significantly higher than before the pandemic). The government's failure to address and alleviate these concerns might result in rating agencies downgrading Perú's sovereign debt rating, which in turn might affect the Bank's rating and/or the Group's business, financial condition and/or results of operations.

As the social and political crisis evolved, in October and December 2022 and January 2023, Fitch, Standard & Poor's and Moody's, respectively, changed their outlook for Perú's long-term debt in foreign currency to negative from stable (keeping the credit ratings at "BBB," "BBB" and "Baa1," respectively) due to the challenging relationship between the executive and legislative branches, which limited the government's ability to implement timely policies. In October 2023, Fitch confirmed its rating, with Standard & Poor's doing the same in February 2024.

Previous governments have imposed controls on prices, exchange rates, local and foreign investment and international trade, restricted the ability of companies to dismiss employees, expropriated private sector assets and prohibited the remittance of profits to foreign investors. Given the nature of President Boluarte's appointment and the current political conditions in Perú, there is no certainty on what kind of policies the government will pursue. Future government policies to pre-empt or respond to social unrest might include, among other things, declarations of state of national emergency, expropriation, nationalization, suspension of the enforcement of creditors' rights and new taxation policies. Such political uncertainty, and any future policies that might be implemented by the Peruvian government, might materially adversely affect the Peruvian economy, which might have a material adverse effect on the Group's business, financial condition and/or results of operations.

The above-mentioned events, future elections, changes in the governance and operation of Perú's institutions, domestic violence and/or other political circumstances might: (a) result in the volatility of Peruvian financial markets, have an adverse effect on investors' perception of Perú and its institutions and/or have an adverse effect on Perú's ability to support economic growth and manage domestic social conditions and/or (b) have an adverse impact on the Peruvian economy or Peruvian institutions, any of which in turn might have a material adverse effect on the Group's business, financial condition and/or results of operations and/or on the market price of an investment in the Notes.

Corruption - Corruption and ongoing high profile corruption investigations might hinder the growth of the Peruvian economy and negatively affect the Group's business, financial condition and/or results of operations

In addition to the corruption investigations described above, several corruption scandals regarding authorities at municipal, regional and national government levels are ongoing, and former and current government officials have been detained. Most recently, there has been a series of corruption scandals involving the Public Ministry, the Judiciary and Congress, investigations into which are continuing. In particular, Peruvian authorities are currently conducting several high-profile corruption investigations relating to the activities of certain Brazilian companies and their Peruvian partners in the construction and infrastructure sectors, which have resulted in suspension or delay of important infrastructure projects that were otherwise operational and permitted. For example, due to the cooperation agreement signed between the Peruvian government and Odebrecht S.A. in 2019, additional investigations and/or corruption scandals might arise. These or future corruption scandals or investigations might negatively affect the Peruvian economy and have a material adverse effect on the Group's business, financial condition and/or results of operations.

Economic Conditions

As a large national bank in Perú, the Group's business, financial condition and results of operations are significantly dependent upon the economic conditions in Perú. In addition to domestic influences on the strength of Perú's economy, Perú's economy has been and will continue to be significantly impacted by a number of external factors, including (*inter alia*) the economic conditions of Perú's primary trading partners, external fund flows, international trade, interest rate and other actions by the U.S. Federal Reserve, geopolitical tensions and fiscal, regulatory and other actions by other governments. These and other factors might have a material adverse impact on international financial markets and/or economic conditions, which, in turn, might result in a material adverse effect on the Peruvian economy and thereby might have a material adverse effect on the Group's business, financial condition and/or results of operations. In addition, these factors might disrupt payment systems, money markets, long-term and short-term fixed income markets, foreign exchange markets, commodities markets and/or equity markets, including adversely affecting the cost and availability of funding for the Group.

In recent years, Perú's GDP growth rates have been volatile, including (in U.S. dollar terms) declining in 2015, 2020 (primarily as a result of the COVID-19 pandemic) and 2023. GDP grew in U.S. dollar terms by 9.8%, 8.4% and 9.3% in 2021, 2022 and 2023, respectively, whereas in local currency terms the changes were 13.4%, 2.7% and (0.6)%, respectively. Despite Perú's long-term economic growth and post-COVID-19 stabilization, social and political tensions and high levels of poverty and unemployment continue. Government actions to stimulate the Peruvian economy might increase the government debt and budget deficit levels, which might in turn contribute adversely to the country's economic stability. There can be no assurance that Perú will not face continued or new economic problems in the future or that these problems will not adversely affect the Group's business, financial condition and/or results of operations.

The Group's banking and other businesses are significantly dependent upon its counterparties' ability to make payments on their loans and meet their other obligations to the Group. If the Peruvian economy suffers because of any of the factors described above or any other reason, then this might increase the number of the Group's Peruvian counterparties who are not able to repay loans when due or meet their other obligations to the Group or who seek to restructure their loans, which

would increase the Group's past due loan portfolio, require the Group to reserve additional provisions and/or reduce its net profit/(loss) and capital levels. In addition, volatility in the international or Peruvian financial markets and/or economy and/or any tightening in credit conditions might result in decreased demand for the Group's products and services, increased borrowing costs (including due to increased competition for deposits) and reduced, or no, access to capital markets. The occurrence of any or all of the above might have a material adverse effect on the Group's business, financial condition and/or results of operations, including a decline in its gross financial margin and/or decreases in the Group's fee and commission income.

The economic conditions that the Issuer's management has identified as having a material impact on the Issuer, and thus potentially on its ability to make payments due in respect of the Notes, are set out in this sub-category.

Peruvian Economy – The Peruvian economy is subject to significant external and internal macroeconomic risks

Since 1991, the Peruvian economy has undergone a major transformation from a highly protected and regulated system to a more free market economy. During this period, protectionist and interventionist laws and policies have been dismantled gradually to create a liberal economy dominated by the private sector. Although the Peruvian economy has generally responded positively to this transformation, it has experienced macroeconomic imbalances, including significant current account deficits, high rates of interest and persistent unemployment. In addition, the Peruvian economy remains vulnerable to both external and internal shocks, including volatility in oil prices, changing investor opinion, outbreaks of disease (e.g., SARS and the COVID-19 coronavirus) and natural events such as earthquakes and the *El Niño* phenomenon. Global macroeconomic and geopolitical uncertainties, slowdown in capital flows to emerging markets and an increasingly protectionist approach to global foreign trade also continue to negatively affect the Peruvian economy.

Domestic macroeconomic factors, including the current account, high levels of inflation (see “-Inflation” below) and interest rate and currency volatility, remain of concern. These conditions have had, and likely will continue to have, a material adverse effect on the Group's business, financial condition and/or results of operations, including as a result of their impact on the Group's customers and other counterparties. In particular, the general macroeconomic conditions in Perú might have a material adverse effect on the Group's retail and SME customers, both as borrowers and providers of deposits. For example, should the unemployment rate increase, the ability of the Group's retail customers to meet their payment obligations and/or deposit funds with the Bank might be reduced. Similarly, reduced demand for goods and services caused by a slowdown in the Peruvian economy might significantly impact SMEs. Any material adverse effect on the Group's retail and SME customers resulting from macroeconomic conditions might impair the Group's business strategies and have a material adverse effect on the Group's business, financial condition and/or results of operations.

Prior to 1991, Perú exercised control over foreign exchange markets by imposing multiple exchange rates and placing restrictions on the possession and use of foreign currencies; *however*, exchange controls and restrictions on the remittance of profits, dividends and royalties have ceased and foreign exchange rates are determined by market conditions (though with regular open-market operations by the Central Bank in the foreign exchange market to reduce volatility in the value of the Sol against the U.S. dollar). Any significant depreciation of the Sol against the U.S. dollar or other major currencies, or any actions taken by the Central Bank or other Peruvian authorities to protect the value of the Sol (such as increased interest rates, restrictive exchange rate policies or other policy actions by the Central Bank), might adversely affect the financial condition of Perú as a whole, including its inflation rate and/or the ability of the Central Bank to implement its policy goals, and might have a material negative effect on the Group's business, financial condition and/or results of operations.

In 2023, traditional exports, in particular mineral products, fishing products, agricultural products and petroleum and its derivatives, represented 72.3% of Perú's total exports compared to 72.1% in 2022 and 74.1% in 2021. A decline in commodity prices in the international markets, especially traditional minerals (which represented 63.1%, 57.6% and 63.3% of exports by value in 2021, 2022 and 2023, respectively) might have an adverse impact on government finances, which might negatively impact both investor confidence and the sustainability of government expenditure and social programs. In addition, a decline in commodity prices might negatively impact the political environment in Perú, especially as regional and local governments are particularly reliant upon tax revenue from mining operations. By potentially negatively impacting private sector demand and investor confidence, lower commodity prices might also affect the banking sector, leading to, for example, lower credit demand, deteriorating asset quality and currency devaluation. A decline in commodity prices might also materially affect the finances of some of the Group's counterparties that rely upon revenue from natural resources.

Any monetary policy tightening of the U.S. Federal Reserve, disruptions in global credit markets or any other increase in market interest rates, particularly if it is more accelerated than expected, might have an adverse impact on Perú, including

on Perú's external financing needs, and might reduce the availability of and/or increase the cost of funding to the Peruvian banking sector. A reduction of external financing might increase the volatility of exchange rates, which might negatively impact macroeconomic conditions, and result in higher costs of funding.

Should Perú's economy experience macroeconomic imbalances or otherwise be unsuccessful, it might have a material adverse impact on the Group's business, financial condition and/or results of operations.

Current Account – A deterioration in Perú's current account might result in governmental efforts to decrease economic activity

Current account deficits in Perú have long created a significant risk for the Peruvian economy, including contributing to the country's need for external funding to support its balance-of-payment position. Perú's current account deficit in 2021 and 2022 was US\$5,064 million and US\$9,908 million, respectively; *however*, Perú registered a current account surplus of US\$1,677 million in 2023. The deficits in 2021 and 2022 were primarily a result of profit remittances by non-resident firms operating in the country and declines in tourism during the COVID-19 pandemic. In 2023, however, the current account improved significantly as a result of lower imports due to weakness in domestic demand and lower profits by non-resident firms operating in the country.

Various events and circumstances, including (*inter alia*) a sustained rise in energy prices, a decline in Perú's foreign trade and tourism revenues, political risks and changes to Perú's macroeconomic policy, might result in a decline in the current account. The current account is a principal concern for Peruvian policy makers as current account deficits increase Perú's vulnerability to changes in global macroeconomic conditions, and the Peruvian government might take policy actions to improve the country's current account, including policies that might have a material negative impact on domestic growth and consumption. Any negative impact on economic growth or the introduction of policies that curtail the economy's activity might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Although Perú's economic growth depends to some extent upon domestic demand, Perú's economy is also dependent upon trade, in particular for copper and other commodities that it produces. A significant decline in the economic growth of any of Perú's major trading partners, such as due to decreased global demand as a result of tight monetary policies, might have an adverse impact on Perú's balance of trade and adversely affect Perú's economic growth. A decline in demand for imports into Perú's trading partners might have a material adverse effect on Peruvian exports and thus on Perú's economic growth and thereby result in an increase in Perú's current account deficit. In addition, tourism remains particularly important for Perú, both due to direct economic impacts as well as the importance of foreign exchange inflows given Perú's current account.

If the value of the Sol relative to the U.S. dollar and other relevant trading currencies declines, then the cost of importing oil, gas and other goods and services might increase, resulting in potential declines in Perú's current account if such impact outweighs any related benefits to the competitive cost of Perú's exports. As a deterioration in the current account might erode financial stability in Perú, the Central Bank takes (and has taken) certain actions to manage price and financial stability, which actions (including changes to interest rates and reserve requirements) might materially adversely affect the Group's business, financial condition and/or results of operations.

If the current account deteriorates, then it might have an adverse effect on the performance of the Peruvian economy and/or financial stability in Perú might deteriorate. In addition, financing a current account deficit might be difficult in the event of a global liquidity or banking crisis and/or declining interest or confidence of foreign investors in Perú, and a failure to reduce the current account deficit might have a negative impact on Perú's sovereign credit ratings. Any such difficulties might lead the Peruvian government to seek to raise additional revenue to finance a current account deficit, reduce domestic demand and/or stabilize the Peruvian financial system, any of which might materially adversely affect the Group's business, financial condition and/or results of operations.

Inflation – Perú's economy might be negatively impacted by inflationary pressures

The Peruvian economy has been subject to significant inflation, including periods of hyper-inflation, which has materially undermined the Peruvian economy and the government's ability to create conditions that support economic growth. In response to high levels of inflation, the Central Bank, which sets the Peruvian basic interest rate, might increase or decrease the basic interest rate in an attempt to control inflation or foster economic growth. Increases in the base interest rate might adversely affect the

Group's results of operations, increasing the cost of certain funding, whereas decreases in the base interest rate might negatively affect the Group's gross financial margin.

In 2022, the annual consumer price index ("CPI") inflation rate in Perú increased to 8.46% from 6.43% in 2021. In response to this spike in inflation, during 2022, the Central Bank increased the reference rate 12 times, from 2.50% *per annum* to 7.50% *per annum*. In 2023, an additional rate hike (to 7.75% *per annum*) took place in January, which then remain steady until the Central Bank began lowering the rate starting in September 2023 (is 6.25% *per annum* as of the date of this Offering Memorandum) as a result of declining inflation, which fell to 3.24% in 2023. As of the date of this Offering Memorandum, As of the date of this Offering Memorandum, the Central Bank expects a CPI of 2.3% at the end of 2024, according to the inflation report published by the Central Bank in December 2023, which would return inflation (particularly non-food and energy inflation (core inflation)), back within its target range.

Significant global price increases in major commodities such as oil would be likely to increase inflation pressures in Perú. Such inflation, particularly if combined with depreciation of the Peruvian Sol, might result in Perú's inflation exceeding the Central Bank's inflation target, which might cause the Central Bank to tighten its monetary policy. If the level of inflation in Perú were to fluctuate or increase significantly, then this might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Dollarization - The dollarization of the Peruvian economy hampers monetary policy, which in turn may have an effect on our business.

Dollarization generally refers to the degree to which the U.S. dollar has displaced the local currency in the economy. Despite the positive effect that it might have on reducing cross-border transaction costs and preserving purchasing power, the dollarization of the Peruvian economy has hampered monetary policy by undermining the Central Bank's ability to control the money supply. Despite the government's efforts to "Solarize" the economy, the high degree of dollarization in the economy affects the Peruvian financial system by having forced the Central Bank to establish high levels of reserve requirements in U.S. dollars. An appreciation of the U.S. dollar poses a risk to both the Group specifically and a systemic risk to the Peruvian financial system generally because of the levels of U.S. dollar-denominated assets and liabilities in the Peruvian financial system (for example, 28% of the system's gross loans and 39% of the system's deposits were denominated in U.S. dollars as of December 31, 2023). This risk comes from the potential imbalance that a bank's clients might experience when borrowing in U.S. dollars and earning in Soles. As a result, the SBS has been enacting rules aimed to make banks capable of identifying clients with potential imbalances and establishing reserves if necessary.

Under the Peruvian Banking Law, all financial institutions regulated by the SBS (except for small-business development non-bank institutions) are required to maintain a legal reserve (in Spanish: *encaje*) for certain obligations. The Central Bank might require additional and marginal reserves. The exact level and method of calculation of the reserve requirement is set by the Central Bank, which has issued different sets of regulations for foreign and local currency-denominated obligations of banks. The Central Bank might increase the base rate or impose additional requirements in the future, which changes might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Natural Disasters – Perú's economy might be adversely impacted by earthquakes, floods, mudslides or other natural phenomena

Perú is subject to potential material negative effects of earthquakes, floods, mudslides and other natural phenomena. For example, Perú is also vulnerable to *El Niño*, an oceanic and atmospheric phenomenon that causes a warming of temperatures in the Pacific Ocean, resulting in heavy rains off the coast of Perú and various other effects in other parts of the world. The effects of *El Niño*, which typically occurs every two to seven years, include flooding and the destruction of fish populations and agriculture, and it accordingly can have a negative impact on Perú's economy. *El Niño* returned in 2023 and had a negative 1.1% of GDP during 2023. This phenomenon is likely to continue to affect Perú's weather during 2024; however, the Bank's management expects that it will have a lower level of impact than in 2023.

Perú is also located in an area that experiences seismic activity and occasionally is affected by earthquakes. For example, in 2007, an earthquake with a magnitude of 7.9 on the Richter scale struck the central coast of Perú, severely damaging the region south of Lima, and on May 26, 2019, an earthquake with a magnitude of 8.0 struck a remote part of the Amazon in Perú, resulting in collapsed buildings and power failures.

The occurrence of an earthquake or any other natural disaster, particularly if impacting Lima, might have a material adverse effect on the Group's business, financial condition and/or results of operations, including through imposition by the SBS or other Peruvian governmental authority of requirements to provide temporary measures for the victims of the natural disaster, such as re-scheduling their credit payments.

Peruvian Regulatory and Other Matters

While political and economic conditions in Perú tend to have the most significant impact on the Group's business, financial condition and results of operations, various other Perú-related matters are also important. These matters, the most material of which is the Peruvian regulatory environment, that the Issuer's management has identified as having a material impact on the Issuer, and thus potentially on its ability to make payments due in respect of the Notes, are set out in this sub-category.

Banking Regulatory Matters – The activities of the Group are highly regulated and changes to applicable laws, the interpretation or enforcement of such laws and/or any failure to comply with such laws might have a material adverse impact on the Group's business, financial condition and/or results of operations

The Group is subject to a number of banking, consumer protection, competition/antitrust and other laws designed to maintain the safety and financial stability of banks, ensure their compliance with economic and other obligations and limit their exposure to risk, in particular the General Law of the Financial System and Insurance System and the Organization of the Superintendency of Banks and Insurance Companies (in Spanish: *Ley General del Sistema Financiero y del Sistema de Seguros y Orgánica de la Superintendencia de Banca y Seguros*) approved by Law No. 26702 (the "Peruvian Banking Law"). These laws have been subject to frequent change in recent years for a combination of prudential, economic and political considerations and there can be no assurance that such laws will necessarily achieve their objectives or enhance financial stability. See "Supervision and Regulation" for a description of the Peruvian banking regulatory environment, including the implementation of Basel III in Perú. The SBS conducts examinations of all banks operating in Perú and financial information, capital ratios, open positions, liquidity, interest rate risks and credit portfolios (*inter alia*) are followed up in detail at frequent intervals by the SBS. In addition, both the SBS and the Central Bank have been granted the authority to issue further banking regulations.

Such measures might also limit or reduce growth of the Peruvian economy and, consequently, the demand for the Group's products and services. Furthermore, as a consequence of certain of these changes, the Group might be required to increase its capital reserves and/or might need to access more expensive sources of financing to meet its regulatory liquidity and capital requirements, which in turn might have an adverse impact on its level of profitability and/or net interest margin. New or revised laws also might increase the Group's cost of doing business and/or limit its activities, such as changes to monetary policy and reserve requirements. For example, the Peruvian government (including the SBS and the Central Bank) has introduced (and might introduce or revise in the future) laws that alter capital structure and deposit reserve requirements, rules regarding provisions for loan losses and legal lending limits. The Group might not be able to pass on any increased costs associated with such regulatory changes to its customers, particularly given the high level of competition in the Peruvian banking sector. Accordingly, the Group might not be able to sustain its level of profitability in light of these regulatory changes and the Group's profitability might be materially adversely impacted until (if ever) such changes can be incorporated into the Group's pricing (and even then such changes might affect the Group's profitability as increased pricing for customers might reduce customer demand for the Group's products and services).

In particular, in March 2021, the Peruvian Congress approved Law No. 31143, under which: (a) the Central Bank is to establish (semi-annually) caps on interest rates (including default interest rates) that banks can charge to consumers and small businesses and (b) in cases of default, the debtor will only pay interest that may not be capitalized (nor may the debtor be charged with commissions or additional expenses). In April 2021, the Central Bank set the methodology to determine maximum interest rates, including as applicable to three types of loans: (i) ordinary consumer credit, (ii) consumer loans equivalent to two UIT (*Unidad Impositiva Tributaria*) or less and (iii) credit for small and micro businesses. These maximum interest rates are to be set at two times the average interest rate of consumer loans during a period between two and seven months prior to becoming effective. The interest rate cap was first effective for the period from May 2021 through October 2021 at a level of 83.40% for loans denominated in Soles and 68.38% for loans denominated in U.S. dollars, changing to 83.64% and 66.08%, respectively, thereafter through April 2022, 83.70% and 67.36%, respectively, thereafter through October 2022, 87.91% and 68.27%, respectively, thereafter through April 2023 and 96.32% and 77.50%, respectively, thereafter through October 2023. For the period from November 2023 to April 2024, the interest rate cap is 101.86% for loans denominated in Soles and 82.94% for loans denominated in U.S. dollars.

In addition, the Bank might be subject to limits on fees or commissions charged to clients. For example, if any law is enacted that limits the amount of ATM fees or surcharges that the Bank may receive or on the Bank's ability to charge overdraft or other fees, then such might adversely impact the Bank's results of operations.

Furthermore, during 2022, Legislative Decree No. 1531 amended the Peruvian Banking Law so as to more closely align the Peruvian regulatory framework and its regulations applicable to the companies of the financial system to Basel III, including changes related to the composition of the effective equity (which changes to effective equity came into effect as of January 1, 2023). The Bank has already implemented all of these requirements, with no material adverse effect to its financial condition or operations.

In addition to being supervised and regulated by the SBS and the Central Bank, the Group is subject to supervision by various other regulatory entities in Perú; for example, the SMV also supervises the Issuer as an issuer of securities. In addition, the Group is under the supervision of the Financial Intelligence Unit (in Spanish: *Unidad de Inteligencia Financiera*) (the "UIF") of Perú and must comply with regulations promulgated by the Consumer Protection Authority (in Spanish: *Instituto Nacional de Defensa de la Competencia y de la Protección de la Propiedad Intelectual* – INDECOPI) of Perú and the Data Privacy Authority (in Spanish: *Autoridad Nacional de Protección de Datos Personales* – ANPDP) of Perú.

Furthermore, the Group's operations are under the supervision of INDECOPI regarding any activities that might impact competition in the Peruvian market. In such cases, INDECOPI (through the Antitrust Commission, a different regulatory body to INDECOPI) may investigate and, if applicable, sanction any actions against the Peruvian Competition Act (Legislative Decree No. 1034), such as the abuse of dominant position or any horizontal collusive practices. Likewise, INDECOPI issues recommendations in certain markets in order to promote competition, some of which might relate to the financial sector. For instance, in September 2023, INDECOPI issued a study on fintechs analyzing the potential barriers in the banking market and suggested many recommendations in order to increase competition in such market.

Any failure by the Group to adopt adequate responses to these or future changes in the regulatory framework (whether in Perú or any other jurisdiction in which the Group operates) might have an adverse effect on the Group's business, financial condition and/or results of operations. In addition, non-compliance with laws might expose the Group to potential liabilities and fines and/or damage its reputation.

Changes in Tax Laws - Changes in tax laws might increase the Group's tax liabilities

The Peruvian government regularly implements changes to its tax regulations and interpretations. Potential changes might include modifications to the taxable events, the taxable base or the tax rates or the enactment of temporary taxes (which might become permanent). The Peruvian government has introduced several changes related, among others, to thin capitalization rules (which prevent companies from deducting interest for tax purposes when certain thresholds are exceeded) and to the general anti-avoidance rules (which entitle the tax and customs authorities to challenge the taxation of certain transactions from a substance-over-form perspective).

On October 27, 2021, former President Castillo introduced a bill to the Peruvian Congress, which proposed to delegate to the Executive Power the authority to regulate for a 90-day period certain tax, fiscal, financial and economic matters. This bill was approved and ratified into law on December 27, 2021. During such 90-day period, various subsidies and reforms to certain financial system regulations were passed. As a result of such law, President Boluarte may request similar authorities and, if granted by the Peruvian Congress, there would be no certainty as to what these powers might be used for.

Any changes to tax laws or the interpretation thereof might have a material adverse impact on the Group's business, financial condition and/or results of operations, including as a result of negative impacts they might cause to the Peruvian economy and the Group's Peruvian counterparties.

Emerging Markets Risk – International investors might view Perú negatively based upon adverse events in other emerging markets

In general, investing in the securities of issuers that have operations primarily in emerging market countries like Perú involves a higher degree of risk than investing in the securities of issuers with substantial operations in the United States or other similar jurisdictions. The market for securities issued by Peruvian companies is influenced not only by economic and

market conditions in Perú but also market conditions in other emerging market countries or in the United States. For example, developments or economic conditions in one or more other emerging market(s) have at times adversely affected the prices of securities from, and the availability of credit to, other emerging market countries as investors move their money to countries that are perceived to be more stable and economically developed.

An increase in the perceived risks associated with investing in emerging economies might dampen capital flows to Perú and/or otherwise adversely affect the Peruvian economy. As a result, investors' interest in the Notes (and thus the market price of an investment in the Notes) might be subject to fluctuations that might not necessarily be related to economic conditions in Perú or the financial performance of the Group. There can be no assurance that investors' interest in Perú in general, and the Notes in particular, will not be negatively affected by events in other emerging markets or the global economy in general.

Risks Relating to the Group and its Business

While Peruvian political, economic, regulatory and other circumstances are the most material category of risks relating to the Group's business, financial condition and results of operations, matters specific to the Group also might have a material impact on the Issuer's ability to make payments due in respect of the Notes, particularly the Group's exposure with respect to the loans and other credits that it extends to borrowers and other counterparties. Such risks that the Issuer's management has identified as having a material impact on the Issuer are set out in this section. The principal sub-categories of the risks relating to the Group and its business are credit risks, market risks, funding risks, operational risks and other Group-related risks, each as set out in their corresponding section below.

Credit Risks

Counterparty Credit Risk – The Group is subject to credit risk in relation to its borrowers and other counterparties

The Group's primary business risk is the inherent risk that its borrowers and other counterparties might not be able to meet their obligations to the Group, which ability is affected by many factors. These counterparties include (*inter alios*) borrowers of loans from the Group, issuers whose securities are held by the Group, trading and hedging counterparties and customers of letters of credit provided by the Group, the Group's exposures to certain of which (particularly for loans for infrastructure and energy projects) are large. Any of these counterparties might default in their obligations to the Group due (*inter alia*) to the factors described in “-Risks Relating to Perú” and/or adverse changes in consumer spending, consumer confidence, unemployment levels, corporate restructurings, bankruptcy rates and/or market volatility, including due to local, national and/or global factors. Many of these factors are difficult to anticipate and are outside of the Group's control. If the Group's counterparties are unable to meet their obligations to the Group when due, then this would increase the Group's portfolio of loans past due, require the Group to reserve additional provisions and reduce its net profit/(loss) and capital levels, which might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Compounding this risk, and notwithstanding the credit risk policies and procedures that the Group has in place, the Group might not correctly assess the creditworthiness of its credit applicants or other counterparties (or their financial conditions might change) and, as a result, the Group might suffer material credit losses. This process involves subjective and complex judgments and takes into account both quantitative and qualitative factors, including projections of economic conditions and assumptions on the ability of the Bank's counterparties to repay their obligations. This process is subject to human error as the Bank's employees might not always be able to assign an accurate credit rating to a counterparty, which might result in the Bank being exposed to greater credit risks than indicated by its risk rating system. Additionally, the Bank might not be able to upgrade its credit risk management system on a timely basis or detect risks before they occur. Furthermore, the Bank's employees might not be able to effectively implement the resources or tools available to them, which might increase the Bank's credit risk. If the Group is unable to accurately model the risk associated with counterparties, then this might have a material adverse effect on the Group's business, financial condition and/or results of operations.

The Bank's management believes that significant opportunities exist in middle-market and consumer lending in Perú and that the Bank can, on average, charge higher interest rates on such loans; therefore, the Bank's strategy includes a greater emphasis on retail loans. The Bank's portfolio composition as of December 31, 2023 showed the growth of the retail segment, increasing from 29.7% of the Bank's total loan portfolio as of December 31, 2021 to 33.8% as of December 31, 2022 and 37.1% as of December 31, 2023, which is in line with the business strategy the Bank is implementing. An increase in its exposure to the retail sector might raise credit risk due to the shift of lending to riskier middle-market and consumer sectors, which might adversely affect the credit quality of the Bank's loan portfolio and/or result in increased provisions for loan losses.

The Group's financial results can be significantly affected by the amount of allowances for provisions for loans and other assets. The amount of provisions recorded by the Bank is based upon its current assessment of and expectations concerning various factors affecting the quality of the Bank's loan portfolio and follows SBS guidelines; *however*, determining the amount of such provisions involves the use of numerous estimates and assumptions and, as a result, the level of provisions and other reserves that the Bank has set aside might prove insufficient and/or the Bank might be required to create significant additional provisions and other reserves in future periods. In addition, the classification of loans determines the amount of loan loss provisions required to comply with the guidelines established by the SBS, which guidelines might be changed by the SBS at any time. The Group's NPL ratio changed from 3.73% as of December 31, 2021 to 4.38% as of December 31, 2022 and 4.72% as of December 31, 2023. The Group's provisions for direct loans increased to S/4,898,555 thousand as of December 31, 2023 from S/4,662,538 thousand as of December 31, 2022, itself a slight increase from S/4,658,162 thousand as of December 31, 2021. See "Supervision and Regulation - Classification of the Loan Portfolio" and "- Special Regulations as a Result of Social Unrest."

In addition to its transactions with the BBVA Group, the Group has exposure to other financial institutions, some of which counterparties might become unable to satisfy their obligations to the Group. Such counterparties might become subject to resolution procedures in their home jurisdictions, such as under Directive 2014/59/EU, as amended by Directive (EU) 2019/879, for certain EU financial institutions, which procedures might materially negatively impact the amount and/or timing of what the Group would receive from a financial counterparty should it be subject to resolution. The disruptions in the global banking sector in March 2023, including the announcement of the acquisition of Credit Suisse by UBS (and the losses incurred by Credit Suisse investors) and the failure of Silicon Valley Bank and Signature Bank in the United States, have highlighted the risks in the banking sector and there can be no assurance that the sector will not be subject to further strain. A banking sector crisis might have materially adverse impacts on the Group's business, financial condition and/or results of operations.

The Group's efforts to mitigate credit risk, including through diversification of its assets and requiring collateral for many of its loans, might be insufficient to protect the Group against material credit losses. For example, as described in "Insufficient Collateral" below, if the value of the collateral securing the Group's credit portfolio is insufficient (including through a decline in its value after the original taking of such collateral), then the Group will be exposed to greater credit risk (and an increased risk of non-recovery) if related credit exposures fail to perform.

Loan Concentrations – The Group's credit portfolio has significant industry and borrower concentrations, particularly in manufacturing industries and commerce and retail loans, which renders it susceptible to any deterioration in the financial condition of such industries and borrowers

Loans to the Bank's 100 largest customers as of December 31, 2021, 2022 and 2023 represented 23%, 22% and 23%, respectively, of its total direct loans. In terms of sector concentration, the: (a) commerce, (b) manufacturing and (c) transportation and telecommunications sectors represented the largest concentrations as of December 31, 2023 (17%, 14% and 10%, respectively, of the Banks total loans).

In addition to sector concentrations, significant percentages of the Group's loan portfolio are represented by loans to retail customers (including mortgages, credit cards and consumer loans) and SMEs. While no one such loan is of significant size, retail and SME customers typically have less financial strength than corporate borrowers and negative developments in the Peruvian economy might affect retail and SME customers more significantly than large corporate borrowers. A negative impact on the financial condition of the Group's retail or SME customer base might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Furthermore, the Group's exposures to certain borrowers (particularly for loans for infrastructure and energy projects) are large and the Group is likely to continue making such large loans where such an investment is determined by the Group to be a credit-worthy transaction. Also, should any large Peruvian borrower experience financial difficulties, then that might have a negative impact on the Bank, including indirectly through having a negative impact on the Peruvian banking sector.

If a material volume of any loans becomes non-performing or there is a slowdown (or any perception of slowdown) in economic conditions related thereto, then this might have a material adverse effect on the asset quality of Peruvian banks, including the Group. In addition, a downturn in any sector or specific borrower to which the Group has significant exposure might result in, among other things, a decrease of funds that such customers hold on deposit with the Bank, a default on their obligations owed to the Group and/or a need for the Group to increase its provisions in respect of such obligations, any of which might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Insufficient Collateral – Security interests or loan guarantees provided in favor of the Group might not be sufficient to cover any losses in the event of defaults by debtors and might entail long and costly enforcement proceedings

While certain of the Group's loans are unsecured, many of the Group's loans have the benefit of collateral (particularly on real estate or other assets located in Perú) and/or a third-party guarantee. Accepting collateral and foreclosing on security interests are subject to certain costs and formal limitations under applicable law, with enforcement against any type of collateral potentially involving a long and costly procedure under Peruvian or other applicable law. For example, the Group might have difficulty foreclosing on collateral when debtors default on their loans or apply to the courts for bankruptcy proceedings, which might temporarily interrupt enforcement or foreclosure proceedings. In addition, the time and costs associated with enforcing security interests might make it uneconomical for the Group to pursue such proceedings, adversely affecting the Group's ability to recover its loan losses, which might have a direct impact on the Group's financial condition and/or results of operations.

Deterioration in economic conditions in Perú or a decline in the value of certain markets might reduce the value and/or liquidity of the collateral securing the Group's loans (and/or the ability of borrowers to post additional collateral), increasing the risk that the Group would not be able to recover the full amount of any such loans in a default. If the Group seeks to realize on any such collateral, then it might be difficult to find a buyer and/or the collateral might be sold for significantly less than its appraised or actual value. For example, an economic slowdown might lead to a downturn in the Peruvian real estate market, which might, in turn, result in declines in the value of real estate securing loans to levels below their principal balances.

The Bank might also not have recent or sufficient information on the value of collateral, which might result in an inaccurate assessment for impairment losses of its loans, which in turn might materially and adversely affect the Bank's financial conditions and/or results of operations.

Market Risks

The Group is subject to risks that arise from open positions in currency, interest rate and (to a lesser extent) equity products, all of which are exposed to general and specific market movements. While the Group seeks to manage its market risk exposure through a range of measures (see "Risk Management – Management of Specific Risks – Market Risk" for further information), such measures might not be successful in mitigating all market risk. The Group's exposure to market risks might lead to a material adverse effect on the Group's business, financial condition and/or results of operations. Certain of these risks are described below.

Foreign Exchange and Currency Risk – The Group is exposed to foreign currency exchange rate fluctuations, which might have a material adverse effect on the Group

As a significant portion of the Group's assets (31.9% as of December 31, 2023) and liabilities (36.2% as of December 31, 2023) is denominated in, or indexed to, foreign currencies (primarily U.S. dollars), the Group is exposed to the effects of fluctuation in foreign currency exchange rates, which can have a material impact on its business, financial condition (including capitalization) and/or results of operations. These risks are both systemic (e.g., the impact of exchange rate volatility on the markets generally, including on the Group's Peruvian counterparties) and specific to the Group (e.g., due to the Group's own net currency positions). If the Sol depreciates, then (when translated into Peruvian Soles) the Group would incur currency translation losses on its liabilities denominated in (or indexed to) foreign currencies (such as the Notes and the Group's other U.S. dollar-denominated long-term loans and other debt) and would experience currency translation gains on its assets denominated in (or indexed to) foreign currencies. Furthermore, a significant depreciation of the Sol might affect the Group's ability to attract customers on such terms or to charge rates indexed to foreign currencies.

The Group seeks to manage the gap between its foreign currency-denominated assets and liabilities by (among other things) matching the volumes and maturities of its foreign currency-denominated loans against its foreign currency-denominated deposits and other funding or by entering into currency hedges (with, for example, deposit costs versus hedging costs varying in a given period depending upon the Group's decision whether to compete more aggressively for deposits or utilize hedging opportunities). If the Group is unable to manage this gap, then volatility in exchange rates might have a negative effect on the value of the Group's assets and/or lead to increased expenses, which might have a material adverse effect on the Group's business, financial condition and/or results of operations.

In preparing the Bank's and the Group's Financial Statements, transactions in currencies other than Peruvian Soles are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on such balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. As a result, the Bank's and the Group's balance sheet and net profit/(loss) are affected by changes in the value of the Sol with respect to foreign currencies. The overall effect of exchange rate movements on the Bank's and the Group's balance sheet and results of operations primarily depends upon the rate of depreciation or appreciation of the Sol against its principal trading and financing currencies.

From a systemic perspective, if the Sol were to depreciate materially against the U.S. dollar (which represents a significant portion of the foreign currency debt of the Group's corporate customers), then it would be more difficult for the Group's customers with income primarily or entirely denominated in Peruvian Soles to repay their foreign currency-denominated debt (including to the Group) and this reduced repayment capacity of such customers might have a material negative impact on the Group's financial condition (including its capitalization). A number of Peruvian banks and other entities, including in particular for infrastructure and project loans, have significant amounts of debt denominated in foreign currency and thus are susceptible to this risk. As of December 31, 2023, foreign currency-denominated loans comprised 27.0% of the Group's loan portfolio (25.0% and 26.0%, respectively, as of December 31, 2021 and 2022), of which 100% was in U.S. dollars.

Compounding the impact of normal market movements, any actions taken by the Central Bank or other authorities to intervene in the value of the Sol (such as via increased interest rates or capital controls) might have a material negative effect on the Group's business, financial condition and/or results of operations. The Central Bank's monetary policy is subject to a number of uncertainties, including global macroeconomic conditions and political conditions in Perú. As global conditions have been volatile in recent years, including as a result of, among other factors, expectations regarding slower growth and low commodity and oil prices, monetary policy remains subject to uncertainty.

Interest Rate Risk – The Group might be negatively affected by volatility in interest rates

The Group's results of operations depend significantly upon the level of its gross financial margin, which is the difference between interest income from interest-earning assets and interest expense on interest-bearing liabilities. Gross financial margin is the principal source of income for the Group, contributing 82.1%, 89.7% and 102.0%, respectively, of the Group's operating margin for 2021, 2022 and 2023. As a result, the differential between the average interest rates that the Group charges on interest-earning assets and the average interest rates that it accrues on interest-bearing liabilities, and the volume of such assets and liabilities, tend to have the most significant impact on the Bank's results of operations.

Interest rates are highly sensitive to many factors beyond the Group's control, including monetary policies pursued by the Central Bank, fiscal policies of the Peruvian government and domestic and international economic and political conditions, and the Group might be unable to take actions to mitigate any adverse effects of interest rate movements. In particular, the Group might be affected by the Central Bank's policies with respect to interest rates and reserve requirements. Changes in market interest rates might affect the spread between interest rates charged on interest-earning assets and interest rates paid on interest-bearing liabilities, thereby affecting the Group's results of operations.

For example, an increase in interest rates might cause the interest expense on deposits (which are typically short-term and repriced frequently) to increase more significantly and/or quickly than interest income from loans (which are short-, medium- and long-term), resulting in a potential short-term reduction in gross financial margin and net interest margin. Moreover, an increase in interest rates might reduce demand for loans from the Bank, potentially resulting in reductions to interest income. In addition, a significant decline in average interest rates charged on loans to customers that is not fully matched by a decrease in interest rates on funding sources, or a significant increase in interest rates on funding sources that is not fully matched by a rise in interest rates charged, to the extent such exposures are not hedged, might have a material adverse effect on the Group's business, financial condition and/or results of operations; *however*, the impact will depend upon the respective repricing of loans and funding (for example, in a time of generally declining interest rates, banks generally benefit for a period as deposits reprice more quickly than loan portfolios).

Although the Group uses various instruments and measures to manage exposures to interest rate risk (see "Risk Management – Management of Specific Risks – Interest Rate Risk" and "Risk Management – Derivatives"), these instruments

and measures might not protect the Group from the risks of changing interest rates. Customers might also alter their preferences for one product over another or alter their demand for loans and other credit products if interest rates change.

Trading Risk – The Group is exposed to risk relating to its trading of financial instruments and other assets

As part of the Bank's treasury operations, it trades various financial instruments and other assets (including debt, equity, fixed income, currency and related derivatives) as both agent and principal, deriving a portion of its non-interest income from trading revenues. The Bank's Risk Management Unit and Asset and Liability Management Committee set position limits for Sol and foreign currency-denominated securities in accordance with the Bank's overall risk management policy as well as the requirements of the SBS; *however*, in such trading, the Bank is exposed to numerous factors that are beyond its control, including overall market trading activity, interest rates, counterparty credit risk and general market volatility.

In addition, a significant portion of the Bank's trading activity is related to customer transactions and it might be exposed to a number of risks related to the movement of market prices in the underlying instruments, including the risk of unfavorable market price movements relative to the Bank's long or short positions, a decline in the market liquidity of the related instruments, volatility in market prices, interest rates or foreign currency exchange rates relating to these positions and the risk that the instruments with which the Bank hedges certain positions do not track the market value of those positions. The Bank might suffer losses from these exposures and/or trading activity generally, which might have an adverse effect on its business, financial condition and/or results of operations. Furthermore, the Bank's investments might be subject to impairment due to mark-to-market requirements, which might adversely affect its financial condition and/or results of operations.

Funding Risks

Liquidity Risk – The Group might have difficulty borrowing funds on acceptable terms, if at all

Liquidity risk comprises uncertainties in relation to the Group's ability, under adverse conditions, to access funding necessary to cover obligations to customers, meet payment obligations on time and satisfy regulatory capital requirements. It includes (*inter alia*) the risk of lack of access to funding, the risk of unexpected increases in the cost of financing and the risk of not being able to structure the maturity dates of the Group's liabilities reasonably in line with its assets (an asset-liability maturity gap). The Group's inability to meet its net funding requirements due to inadequate liquidity would likely materially adversely affect its business, financial condition and/or results of operations.

There can be no assurance that the Group will not experience liquidity issues. In the event that the Group experiences liquidity issues, its ability to access certain sources of funding at such time might be negatively impacted by factors that are not specific to its operations, such as general market conditions, disruptions of the financial markets or sovereign credit rating downgrades. For example, in the case of a global liquidity crisis, wholesale funding would likely become increasingly costly and more difficult to obtain for the Group, which might adversely affect borrowing using capital market instruments.

The Group relies primarily on short-term liabilities in the form of deposits (typically demand deposits and term deposits with terms of 60 days or less) as its source of funding and has a mix of short-, medium- and long-term assets in the form (*inter alia*) of consumer loans and loans to corporations (including mortgages and credit cards) and investment securities, which might result in asset-liability maturity gaps and liquidity problems. In addition, depositors might withdraw their funds at a rate faster than the rate at which borrowers repay. The Group's loans-to-deposits ratio was 109.90%, 103.32% and 99.89%, respectively, as of December 31, 2021, 2022 and 2023. If the Group's consumer customers become or remain unemployed or earn declining amounts, then they might save less or consume more of their money deposited with the Group, which might negatively affect the Group's access to deposit-based funding. Similarly, if the Group's corporate customers face liquidity problems, then they might draw down their deposits with the Group. An inability on the Group's part to access such funds might put the Group's liquidity at risk and lead the Group to be unable to finance its operations and growth plans adequately or within required regulatory limits.

While the Bank's principal source of funding comes from deposits, these funds are short-term by nature and thus do not enable the Bank to match fund its medium- and long-term assets. In addition, price competition for wholesale deposits has made such deposits less attractive. As a result, the Bank seeks to extend the average maturity of its liabilities in order to manage the maturity mismatch between assets and liabilities, to manage its liquidity coverage ratio requirements and to provide diversity in its funding. The Bank has raised (and likely will seek to continue to raise) longer-term funds from syndicated and

bilateral loans, “future flow” transactions, bond issuances and other transactions, many of which are denominated in foreign currencies. The Group’s non-deposit funding (which includes repos and money market funds, funds borrowed, subordinated loans and marketable securities issued) was equivalent to 22.7%, 14.8% and 12.2%, respectively, of its assets as of December 31, 2021, 2022 and 2023. If growth in the Group’s deposit portfolio does not keep pace with growth in its loan portfolio, then the Group might need to become more reliant upon non-deposit funding sources such as securities offerings, some of which might create additional risks of their own such as increased liquidity and/or interest rate gaps and exposure to volatility in international capital markets. If conditions in the international capital markets or interbank lending market, or the Group’s and/or Perú’s credit ratings, were to deteriorate, then the Group might be unable to secure funding through international sources. In addition, a rising interest rate environment might compound the risk of the Group not being able to access wholesale funding at favorable rates or at all.

Another source of liquidity risk related to liquidity in local currency is the potential dollarization of customer deposits. In part due to the de-dollarization policy sponsored by the Peruvian government, there is a mismatch between the Bank’s U.S. dollar-denominated deposits and Sol-denominated loans and other assets. Given that there are no restrictions for customers to have deposits in Soles or dollars, customers might decide to dollarize their deposits as a protection against a depreciation of the Sol. If this were to occur, then the Central Bank might be expected to enter into currency repurchase transactions to increase liquidity, which might increase the Bank’s funding costs and/or impair its financial margin and/or results of operations.

As noted above, a portion of the Group’s wholesale funding is denominated in foreign currencies. The Group’s total foreign currency-denominated borrowings (*i.e.*, the sum of foreign currency-denominated funds borrowed, money market funds, marketable securities issued and subordinated debt) equaled 5.13%, 2.62% and 4.31%, respectively, of its assets as of December 31, 2021, 2022 and 2023. While the Group has been successful in extending, at a relatively low cost, the maturity profile of its funding base, even during times of volatility in international markets, this might not continue in the future (including if investor confidence in Perú decreases as a result of political, economic or other factors). As of December 31, 2023, the Group had free foreign currency liquidity (including unencumbered foreign currency securities) amounting to US\$2,975 million while having US\$210 million in foreign currency-denominated external debt to be paid within one year (an additional US\$300 million (subject to the Tender Offer and potential early redemption of the Existing Tier II Notes in September 2024) in such debt matures in later periods). Particularly in light of the historical volatility of emerging market financings, the Group might have difficulty extending and/or refinancing its existing foreign currency-denominated indebtedness, hindering its ability to avoid the interest rate risk inherent in asset-liability maturity gaps. Should these risks materialize, these circumstances might have a material adverse effect on the Group’s business, financial condition and/or results of operations. These risks might increase if the Group seeks to increase medium- and long-term lending to its customers, including mortgages and project financings, the funding for much of which is likely to be made through borrowings in foreign currency (including refinancing of its foreign currency borrowings).

While the Group aims to maintain at any given time an adequate level of liquidity reserves, strains on liquidity caused by any of these factors or otherwise (including as a result of a downgrade in the Bank’s credit rating(s) or the requirement to repay any indebtedness, whether on a scheduled basis or as a result of an acceleration due to a default or other event) might adversely affect the Group’s business, financial condition and/or results of operations.

Access to Capital – The Group might have difficulty raising capital on acceptable terms, if at all

By law, each of the Bank and the Group is required to maintain certain capital levels and capital adequacy ratios in connection with its business, which capital adequacy ratios depend in part upon the level of risk-weighted assets. Any continued growth in the Group’s lending will likely result in an increase in the Group’s risk-weighted assets, which might adversely affect the Group’s capital adequacy ratios absent a corresponding increase in capital (see “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Capital Adequacy”).

Any changes relating to Basel III or any other capital adequacy-related revisions might impact the manner in which the Bank and/or the Group calculates its capital ratios and might impose higher capital requirements, which might in turn require the Group to raise additional capital and/or reduce its balance sheet to ensure that it has sufficient capital reserves, which might have a material adverse effect on the Group’s business, financial condition and/or results of operations. Additionally, it is possible that the Group’s capital levels might decline due to (*inter alia*) credit losses, loan provisions, currency fluctuations and/or dividend payments. Should the Group wish or be required to raise additional capital, it might not be in a position to do so at all or (including as a result of a downgrade in the Bank’s credit rating(s)) at prices that the Group

considers to be reasonable. If any or all of these risks materialize, then this might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Operational Risks

Competition in the Peruvian Banking Sector – Intense competition in the Peruvian banking sector might have a material adverse effect on the Group

The Group faces significant competition from other participants in the Peruvian banking sector, including other Peruvian banks, subsidiaries and branches of foreign banks operating in Perú and even department stores that offer credit cards, emerging financial technology companies that offer digital banking and other services both on a regulated and unregulated basis and the local and international capital markets that lend to commercial customers. Four Peruvian banks (the Bank, BCP, Scotiabank and Interbank) dominate the banking industry in Perú. As of December 31, 2023, these top four banking groups held 83.40% of the Peruvian banking sector's total performing loans and 82.21% of the total deposits in Perú. The Bank's management believes that further entries into the sector by foreign competitors, either directly or in collaboration with existing Peruvian banks, might increase competition in the market, particularly as foreign competitors might have greater resources and more cost-effective funding sources than the Group.

If competitors (including increasingly new technology companies) can offer better lending rates to clients, higher interest rates on deposits or better customer experiences for services and products, then the Group might (*inter alia*) lose customers or market share, be forced to reduce its margins and/or be forced to seek more expensive sources of funding, any of which might adversely affect the Group's profitability. Increased price competition in the Peruvian banking markets through the offer of products at significantly lower prices might also affect customer behavior and loyalty. Any failure to maintain customer loyalty or to offer customers a wide range of high quality, competitive products with consistently high levels of service might have a material adverse effect on the Group's business, financial condition and/or results of operations.

The increasing transition to digital banking presents the likelihood of greater competition in banking services as such digital-only platforms can be established relatively quickly due to their different infrastructure models (*e.g.*, no branches). This new generation of competitors might have lower costs, thereby allowing them to offer products and services at prices below those offered by traditional banks such as the Bank. In addition, some of these competitors operate under different or reduced levels of regulation in comparison to the regular banking supervision that applies to the Group, including being subject to different solvency and liquidity requirements as banks.

The Group's exposure to intense competition in each of its key areas of operation might, among other things, limit the Group's ability to increase its client base and expand its operations, reduce its asset growth rate and profit margins on services it provides and increase competition for investment opportunities. There can be no assurance that the continuation of existing levels of competition or increased competition will not have a material adverse effect on the Group's business, financial condition and/or results of operations.

Dependence upon Banking and Other Licenses – Group members might be unable to maintain or secure the necessary licenses for carrying on their business

Each of the Bank and, to the extent applicable, each of its subsidiaries has a current SBS and/or other applicable license for all of its banking and other operations. The Bank's management believes that the Bank and each of its subsidiaries is in compliance with its existing material license and reporting obligations; nevertheless, if it is incorrect, or if any member of the Group were to suffer a loss of a license, breach the terms of a license or fail to obtain any further required licenses, then this might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Restrictive Covenants – Restrictive covenants under the Group's agreements might adversely affect the Group's operations and a breach of any of these covenants might result in the counterparty exercising remedies against the applicable member of the Group and/or its properties

The Group is party to a range of agreements, including in respect of debt raised by the Group, which contain restrictive covenants, such as negative pledges, requirements for the maintenance of certain regulatory authorizations and requirements to refrain from certain transactions with affiliates. These restrictive covenants might adversely affect the Group's operations,

such as its ability to raise funding secured by its properties. In addition, a breach of any of these covenants might result in the counterparty exercising remedies against the applicable member of the Group and/or its properties, and such breach and/or acceleration might cross-trigger to other agreements of the Group, any of which events might have a material adverse effect on the Group's business, financial condition and/or results of operations. For example, if the Bank is required to prepay a loan, then it might need to use a significant amount of its liquidity, sell assets (potentially at a disadvantageous price) and/or reduce its business in order to satisfy this unexpected prepayment (and even more so if there is a resulting cross-trigger to other obligations).

Estimations – Future events might be different from those reflected in the management assumptions and estimates used in the preparation of the Bank's and the Group's Financial Statements, which might result in unexpected reductions in profitability

Pursuant to accounting rules and interpretations, the Bank uses certain estimates in preparing the Bank's and the Group's Financial Statements, including in determining expected credit losses and the accounting value of certain assets and liabilities. Should the estimated values for such items prove to be materially inaccurate, including as a result of unexpected market movements or external developments, or if the methods by which such values were determined are revised in future accounting rules or interpretations, then the Bank and/or the Group might experience unexpected reductions in profitability and/or such inaccuracies might otherwise have a material adverse effect on the Group's business, financial condition and/or results of operations. For example, portions of the Group's provisions for loans are determined based upon assumptions about the Peruvian economy and thus (particularly if the Peruvian economy underperforms such assumptions) the Group might have taken inadequate provisions for loans.

Risk Management – The Group's efforts to identify, control and manage risk might be inadequate

In the course of its business activities, the Group is exposed to a variety of risks, including (*inter alia*) credit risk, liquidity risk, market risk and operational risk (each as separately discussed in these "Risk Factors"). Any material deficiency in the Group's risk management or other internal control policies or procedures might expose it to significant risk, which in turn might have a material adverse effect on the Group's business, results of operations and/or financial condition. If circumstances arise that the Group has not identified or anticipated adequately, if the security of its risk management systems is compromised or if its risk policies or procedures have material deficiencies, then the Group's losses from such risks might be greater than expected, which might have a material adverse effect on the Group's reputation, business, financial condition and/or results of operations.

In addition, some of the Group's methods of managing risk consider (*inter alia*) historical data, which might not accurately predict future risk exposures. For example, if the Group's credit risk policies underestimate the negative impact of a recession on the value of Peruvian real property, then loans secured by Peruvian real property might be undercollateralized and result in material unexpected losses to the Group. See "Risk Management."

Operational Risk – The Group might be unable to prevent losses arising from fraud and/or operational errors or disruptions

The Group employs substantial resources to develop and operate its risk management processes and procedures; however, similar to other banking groups, the Group is susceptible to, among other things, fraud by employees, customers or other third parties, failure of internal processes and systems (including to detect fraud or unlawful transactions), unauthorized transactions by employees and other operational errors (including clerical or record-keeping errors and errors resulting from faulty computer or telecommunications systems). The Group's risk management and expanded control capabilities are also limited by the information tools and techniques available to the Group. The Group is also subject to service interruptions from time to time caused by third party service providers (such as telecommunications operators) or other service interruptions resulting from events such as natural disasters. Such events might result in interruptions to services to the Group's branches and/or impact customer service. In addition, given the Group's high volume of transactions, fraud or errors might be repeated or compounded before they are discovered and rectified. Furthermore, a number of banking transactions are not fully automated, which might further increase the risk that human error or employee tampering will result in losses that might be difficult for the Group to detect quickly or at all. For example, if the Group's operational risk control systems do not identify a weakness in the Group's mortgage loan application processing system, then fraud might occur that results in material unexpected losses to the Group. If the Group is unable to successfully control these or any other operational risks, then this might have a material adverse effect on the Group's reputation, business, financial condition and/or results of operations. See "Risk Management – Management of Specific Risks – Operational Risk."

Dependence upon Information Technology Systems – The Group’s operations might be adversely affected by interruptions to or the improper functioning of its information technology systems

The Group’s business, financial performance and ability to meet its strategic objectives (including rapid credit decisions, product rollout and growth) depend to a significant extent upon the functionality of its information technology (“IT”) systems and its ability to increase systems capacity (for example, to support the significant increase in work-from-home demands on the Group’s systems resulting from the COVID-19 pandemic). The proper functioning of the Group’s internal control, risk management, credit analysis and reporting, accounting, customer service and other IT systems, as well as the communication networks between its branches and main data processing centers, are critical to the Group’s business and its ability to compete. For example, the Group’s ability to process credit card and other electronic transactions for its customers is an essential element of its business.

Any failure, interruption or breach in security of the Group’s IT systems (including as a result of any cyberattacks, phishing, ransomware or other malicious acts) might result in failures or interruptions in the Group’s risk management, general ledger, deposit servicing, loan organization and/or other important operations. Although the Group has developed back-up systems and a fully equipped disaster recovery center, and might continue some of its operations through the Bank’s branches in case of emergency, if the Group’s IT systems failed, even for a short period of time, then it might be unable to serve some or all of its customers’ needs on a timely basis and thus might lose business. Likewise, a temporary shutdown of the Group’s IT systems might result in costs that are required for information retrieval and verification. In addition, the Group’s failure to update and develop its existing IT systems as effectively as its competitors might result in a loss of the competitive advantages that the Group believes its IT systems provide. Such failures or interruptions might occur and/or the Group might not adequately address them if they do occur. For example, if the Group’s IT technicians do not identify a programming error in the software running the Group’s mortgage application software, then fraud might occur that results in material unexpected losses to the Group. A disruption (even short-term) to the functionality of the Group’s IT systems, delays or other problems in increasing the capacity of the Group’s IT systems or increased costs associated with such systems might have a material adverse effect on the Group’s business, financial condition and/or results of operations. For further information on the Group’s IT system, see “The Group and its Business – Information Technology.”

Money Laundering and Terrorist Financing – The Group is subject to risks associated with money laundering or terrorist financing

Although the Group (including in coordination with BBVA’ global standards) has adopted various policies and procedures, and has put in place systems (including internal controls, “know your customer” rules and transaction monitoring), aimed at preventing money laundering and terrorist financing, and seeks to adhere to all requirements under Peruvian law and international standards aimed at preventing it from being used as a vehicle for money laundering or terrorist financing, these policies and procedures might not be completely effective. Moreover, to a certain extent, the Group must rely upon correspondent banks to maintain and properly apply their own appropriate anti-money laundering, “know your customer” and terrorist financing policies and procedures. If the Group does not comply with timely reporting requirements or other anti-money laundering or anti-terrorist financing laws and/or is associated with money laundering and/or terrorist financing, then its business, financial condition and/or results of operations might be adversely affected, including in manners that significantly exceed the actual value of the underlying transaction. In addition, involvement in such activities might carry criminal penalties or regulatory fines and sanctions (including being put on any “blacklists” that would prohibit certain parties from engaging in transactions with the Group) and might severely harm the Group’s reputation, each of which might have a material effect on the Group’s business, financial condition and/or results of operations.

Personnel – The Group’s success depends upon retaining key members of its senior management and its ability to recruit, train and motivate qualified personnel

The Group is dependent upon its senior management to implement its strategy and operate its day-to-day business. In addition, corporate, retail and other relationships of members of senior management are important to the conduct of the Group’s business. In a rapidly developing market such as Perú, demand for highly trained and skilled staff, particularly in the Group’s Lima headquarters, is very high and requires the Group to re-assess continually its compensation and employment policies. If members of the Group’s senior management were to leave, particularly if they were to join competitors, then those employees’ relationships that have benefited the Group might not continue with the Group.

In addition, the Group's success depends, in part, upon its ability to attract, retain and motivate qualified and experienced banking and management personnel. The Group's failure to recruit and retain necessary personnel or manage its personnel successfully might have a material adverse effect on the Group's business, financial condition and/or results of operations.

While the Bank's management believes that the Bank's relations with its employees are good and the Bank has not experienced a strike or work stoppage since 1990, conflicts with the Bank's employees and organized labor actions (such as work disruptions or stoppages) or requirements to increase employee salaries and/or benefits as a result of future collective bargaining agreements might cause the Bank to suffer a material adverse effect on its business, financial condition and/or results of operations.

Other Group-Related Risks

Absence of Governmental Support – The Group's non-deposit obligations are not guaranteed by the Peruvian or any other government and there might not be any governmental or other support in the event of illiquidity or insolvency

The non-deposit obligations of the Group are not guaranteed or otherwise supported by the Peruvian or any other government. While rating agencies and others have occasionally included in their analysis of certain banks a view that systemically important banks would likely be supported by the banks' home governments in times of illiquidity and/or insolvency (examples of which sovereign support have been seen in other countries during the global financial crisis), this might not be the case for Perú in general or the Group in particular. Investors in the Notes should not place any reliance upon the possibility of the Group being supported by any governmental or other entity at any time, including by providing liquidity or helping to maintain the Group's operations during periods of material market volatility. See "Supervision and Regulation – Deposit Insurance Fund" for information on the limited government-provided insurance for the Bank's deposit obligations.

The Group's Relationship with its Shareholders – The Group intends to continue its dealings with the BBVA Group and Grupo Breca although these might give rise to apparent or actual conflicts of interest

The Peruvian Banking Law places limits on a Peruvian bank's exposure to related parties. The Group is within the limits of the Peruvian Banking Law in terms of its exposure to the BBVA Group and Grupo Breca. With respect to the Bank, all credits with respect to, and services provided to, its related parties (including members of the BBVA Group and Grupo Breca) are made on an arm's-length basis and all credit decisions with respect to its related parties are required to be approved by the affirmative vote of at least a majority of the attending members of the Board (other members of the Group have similar requirements). From time to time, the Group has purchased and sold assets and services to/from members of the BBVA Group and Grupo Breca and the Bank's management believes that the terms of such transactions have been at least as favorable as those the Group would have received from an unaffiliated party. Where applicable, the value estimations (to the extent that market prices were not available) were made by independent appraisers engaged by the Group's management. Although the Group intends to continue to enter into transactions with related parties on terms similar to those that would be offered to an unaffiliated third party, such transactions create the potential for, or might result in, conflicting interests. See "Related Party Transactions" and "Supervision and Regulation - Lending Limits – Lending to Related Parties."

The interests of the BBVA Group and Grupo Breca might not be consistent with the interests of investors in the Notes and the Bank's shareholders might take (or cause the Bank to take) actions that might be harmful to investors in the Notes.

In addition, if the BBVA Group were to sell some or all of its shares in the Bank (whether in a secondary offering or a block sale to a strategic buyer), then the Bank might become controlled by a new party with different interests than the previous controlling shareholder of the Bank. As the Notes do not include any remedy for investors relating to a change in control of the Bank, investors in the Notes will not be entitled to have their Notes repaid as a result of any such change in control.

Disclosure and Accounting Rules - Perú has corporate disclosure and accounting standards different from those with which investors in the Notes might be familiar

Disclosure requirements for companies in Perú differ from those in the United States and the EU. Accordingly, the information about the Bank available to investors might not be the same as the information available to holders of a security

issued by a U.S. or EU company and, in particular, there might be less publicly available information about the Bank than is regularly published about companies in the U.S. or EU. In addition, the Bank is not subject to the periodic reporting requirements of the Exchange Act and, therefore, is not required to comply with the information disclosure requirements that it imposes. The Bank is, however, required under Peruvian law to file notices of material events (*hechos de importancia*) with the SMV and the BVL, which notices are filed in Spanish. All of such notices are available at www.smv.gob.pe/SIMV/ and www.bvl.com.pe; *however*, such notices and websites are not incorporated by reference into, and do not constitute a part of, this Offering Memorandum.

The SBS requires financial entities operating in Perú to report financial results according to Peruvian GAAP, which is outlined in the SBS' "Accounting Manual for Financial Entities." Peruvian GAAP differs in certain material respects from IFRS. Substantial differences between Peruvian GAAP and IFRS include, but are not limited to, the content and format of the financial statements. The Consolidated Annual Financial Statements and Unconsolidated Annual Financial Statements have been prepared in accordance with Peruvian GAAP and might differ significantly from financial statements prepared in accordance with IFRS. The Bank has made no attempt to identify or quantify the impact of the specific differences between Peruvian GAAP and IFRS and, accordingly, cannot offer any assurances that all existing differences have been identified and that the differences described in Appendix A ("Overview of Differences between IFRS and Peruvian GAAP") are in fact the most significant differences. In addition, the Bank cannot estimate the net effect that applying IFRS would have on its consolidated or unconsolidated results of operations or consolidated financial position or any component thereof. The effect of such differences might be, individually or in the aggregate, material, and in particular, as a result of such differences, total equity might be materially different if reported under IFRS.

Peruvian GAAP might be modified, the application of which might have a negative impact on the Group's internal processes, financial condition, results of operation and/or ability to comply with the Group's contractual obligations. It is possible that financial information prepared in accordance with new accounting standards might not be comparable with the financial information reported during previous periods.

Risks Relating to the Notes

While the risks described above are important with respect to the Issuer's ability to make payments due in respect of the Notes, there are additional risks that should be considered by investors in the Notes, including risks relating to the nature of the structure of the Notes and general risks relating to investments in the Notes (both of which are set out in the corresponding sub-category below). Such risks that the Issuer's management has identified as having a material impact on investors in the Notes are set out in this category of risk factors; *it being understood* that the following does not address any specific conditions of, or circumstances relating to, any particular investor (including such investor's own tax, regulatory or other circumstances) but rather to investors generally speaking.

Risks Relating to the Structure of the Notes

As an issue of subordinated capital notes, the Notes present investors with certain risks that are not applicable to investments in senior obligations issued by the Issuer, including greater risks relating to non-payment of the Notes. Such risks that the Issuer's management has identified as having a material impact on investors in the Notes are set out in this section.

Subordination – Claims of Holders under the Notes will be subordinated, unsecured and unguaranteed

The Bank's obligations under the Notes will constitute subordinated and unsecured obligations of the Bank. On any Intervention or Liquidation of the Bank, the Issuer's obligations under the Notes will rank subordinate in right of payment to the payment of all Senior Obligations and no amount will be paid under the Notes until all the Senior Obligations have been satisfied. Unless the Issuer has assets remaining after making all such payments in such circumstances, no payments will be made on the Notes.

No other member of the Group has guaranteed, or will have any liability for, the Notes (and the Consolidated Annual Financial Statements attached to (and discussed in) this Offering Memorandum should be understood accordingly as the Bank might not have the ability to access the assets of other members of the Group, including receiving dividends from such other members of the Group). It should be noted that, while financial information about the Bank might be publicly available (including Spanish language financial statements) from time to time, the Bank, as discussed in "Description of Notes – Limited

Covenants – Provision of Information and Financial Reports,” will only be furnishing to the Trustee the Group’s Financial Statements.

Consequently, although the Notes might provide for a higher interest rate than indebtedness of the Issuer that is not subordinated, there is a real risk that an investor in the Notes might lose some or even all of its investment upon the occurrence of an Intervention by the SBS or Liquidation of the Bank.

Loss Absorption – The principal amount of a Note might be permanently written down

If there were to occur an Intervention by the SBS or the Liquidation of the Bank, then the principal amount of each outstanding Note might be written down by the relevant amount specified by the SBS in the manner described in “Description of Notes – Loss Absorption.” Pursuant to the Peruvian Banking Law and regulations promulgated thereunder, the SBS will, when applicable, in the case of an Intervention by the SBS or the Liquidation of the Bank, use accrued and unpaid interest on, and principal amounts of, the Notes (along with Parity Obligations), in that order and on a prorated basis and *pari passu* among them, to absorb losses of the Bank. If the SBS were to do so, then any losses of the Bank would be absorbed first by the instruments that qualify as Tier I Regulatory Capital (which include current and retained earnings, premiums on the issuance of shares, voluntary and mandatory reserves and capital stock, among others), second by equity instruments that qualify as Tier II Regulatory Capital and third by other Tier II Regulatory Capital (such as the Notes), in that order.

As a result of any such action by the SBS that results in loss absorption by the Notes, such amount of principal and interest on the Notes would not be paid to the investors in the Notes and the investors in the Notes would permanently lose all rights to the amounts so absorbed and would have no further claim against the Issuer in respect of any such amounts.

Should such loss absorption not take place or not be so taken into account by the SBS, subject as described in “-Limited Remedies” below, a Holder may institute proceedings against the Issuer to enforce the Notes; *however*, to the extent any judgment was obtained in New York on the basis of New York law as the governing law of the Notes (other than those provisions of the Notes governed by Peruvian law), there is uncertainty as to the enforceability of any such judgment by Peruvian courts. In addition, there are certain circumstances in which the courts of Perú might not enforce a judgment obtained in the courts of another country, which are more fully described under the section entitled “Enforcement of Judgments and Service of Process.” There can therefore be no assurance that a Holder would be able to enforce in Perú any judgment obtained in the courts of another country, including in these circumstances.

Consequently, there is a substantial risk that an investor in the Notes will lose some or even all of its investment in the Notes upon the occurrence of an Intervention by the SBS or Liquidation of the Bank. The occurrence of an Intervention by the SBS or Liquidation of the Bank, or even the expectation or suggestion thereof, might materially adversely affect the rights of Holders, the value and/or market price of an investment in the Notes and/or the amounts payable by the Issuer in respect of the Notes.

In limited circumstances, during a dissolution and liquidation proceeding of a bank, with the consent of the SBS, the creditors of such bank representing at least 30% of such bank’s total liabilities may propose a rehabilitation plan. Such plan must contemplate the application of the bank’s capital instruments (such as the Notes) to absorb losses of the Bank and, in case any amount of such capital instruments remains outstanding, its conversion into equity. See “Supervision and Regulation – Intervention by the SBS and Liquidation.” with respect to the rules relating to an Intervention and Liquidation of the Bank.

No Limits on Senior Obligations or Parity Obligations – There is no limitation in the Notes on the Issuer’s incurrence of Senior Obligations or Parity Obligations

There is no restriction in the Indenture, the Supplemental Indenture and the Notes on the amount of Senior Obligations or Parity Obligations that the Issuer may incur. The incurrence of any such obligations might reduce the amount recoverable by the investors in the Notes on any Intervention by the SBS or Liquidation of the Bank and might result in an investor in the Notes losing some or even all of its investment.

In addition, Parity Obligations (and even Junior Obligations, including additional Tier I Regulatory Capital) might provide their holders with contractual or legal rights that differ from those available under the Notes, including (without limitation) the potential for conversion into equity and/or the potential for future write-ups after any write-downs. As a result,

the impact of any loss absorption relating to the Notes and/or such other obligations might differ among the various investors depending upon the rights afforded to them under the relevant contracts and/or applicable law.

Limited Remedies – Investors will have limited remedies under the Notes

A holder of a Note will only be able to accelerate payment of the principal of that Note, together with all interest accrued and unpaid to (but excluding) the date of repayment, only in specific instances involving Intervention by the SBS or the Bank's dissolution and liquidation. The Investors will not have any right of acceleration under the Notes, whether in respect of any default in payment or otherwise, and the only remedy of an investor against the Issuer on any default in a payment on the Notes will be to institute proceedings for the Issuer to be declared bankrupt or insolvent or for there otherwise to be an Intervention by the SBS or Liquidation of the Issuer and to claim or prove in the dissolution and liquidation of the Issuer. See "Description of Notes – Acceleration Event" as to enforcement for any obligation, condition, undertaking or provision binding upon the Issuer under the Notes.

In addition, Holders rights under the Notes will be subject to the insolvency and administrative laws of Perú, and there can be no assurance that Holders will be able to effectively enforce their rights in any bankruptcy, insolvency or similar proceedings (including any Intervention or Liquidation) with respect to the Bank. In addition, the bankruptcy, insolvency, administrative and other laws of Perú might be materially different from, or in conflict with, each other, including in the areas of rights of creditors, priority of government entities and related-party creditors, ability to obtain post-bankruptcy filing loans or to pay interest and the duration of proceedings. The laws of Perú might not be as favorable to the interests of Holders as the laws of jurisdictions with which the Holders are familiar. The application of these laws, or any conflict among them, might create uncertainty as to what and how Peruvian law should apply. Such issues might adversely affect Holders' ability to enforce their rights under the Notes in Perú or limit any amounts that they might receive under the Notes. See "Enforcement of Judgments and Service of Process."

No remedy against the Issuer other than as provided above will be available to the holders of Notes, including (without limitation) for the recovery of amounts owing in respect of the Notes or otherwise in respect of any of the Acceleration Events or in respect of any breach by the Issuer of any of its covenants or other obligations under the Notes.

Reset Interest Rate – The interest rate on the Notes will be reset on the Reset Date, which might affect interest payments on an investment in the Notes and/or the market price of any such investment

The Notes will initially bear interest at the Initial Interest Rate to (but excluding) the Reset Date, at which time the Interest Rate will be reset to the Reset Interest Rate. The Reset Interest Rate, which will be affected by market and numerous other conditions in effect at the time of its determination, might be less than the Initial Interest Rate. In addition, the Reset Interest Rate might be lower than the interest rate that would apply to a similar security being issued on the Reset Date. The unpredictability of the Reset Interest Rate thus might negatively affect the market price of an investment in the Notes. See "Description of Notes – Maturity and Interest" for further information of such resetting of the Interest Rate.

Early Redemption – The Notes may be subject to early redemption in certain circumstances

The Issuer will, in certain circumstances described below, have the right to redeem the Notes prior to the Stated Maturity Date at their respective principal amount together with all interest accrued and unpaid to (but excluding) the date of redemption. This optional redemption feature is likely to limit the market price of an investment in the Notes because the market price of an investment in the Notes generally will not rise substantially above the price at which they can be redeemed.

In addition, an investor might not be able to reinvest the redemption proceeds at an effective interest rate as high as the then-applicable Interest Rate on the Notes and might only be able to do so at a significantly lower interest rate (or through taking on a greater credit risk). Reinvestment risk should be an important element of an investor's consideration in investing in the Notes.

At the option of the Issuer. On any date during the Optional Redemption Period (*i.e.*, from (and including) the fifth anniversary of the Issue Date to (and including) the Reset Date), subject to the prior approval of the SBS or any other then-applicable Peruvian Governmental Authority, if then required, the Bank may at its option redeem the Notes in whole or in part upon giving not less than 10 days' (or, to the extent required by an applicable clearing

system, such longer period) but no more than 60 days' notice to the Holders of the Notes, at a redemption price equal to 100% of the aggregate principal amount of the Notes being redeemed *plus* any accrued and unpaid interest on the principal amount of the Notes being redeemed up to, but not including, the applicable Redemption Date, *plus* Additional Amounts, if any (subject to the right of Holders of record on the relevant Record Date to receive interest due on the relevant Interest Payment Date); *provided* that such redemption: (a) must comply with the requirements set forth in the Subordinated Debt Regulation and (b) is not prohibited by Peruvian law or regulation (which includes the Peruvian Banking Law, the Subordinated Debt Regulation and any other applicable regulation issued by the SBS and any Central Bank regulations).

As redeemable subordinated debt, such as the Notes, progressively ceases to qualify as Tier II Regulatory Capital when the remaining time to maturity on such debt becomes less than five years (with the application of subordinated debt towards Tier II Regulatory Capital being reduced by 20% for each of the last five years to maturity), the Issuer might have an incentive to redeem the Notes during the Optional Redemption Period. Consequently, an investor's ability to earn returns on its investment in the Notes might be terminated prior to the Stated Maturity Date; *however*, the Issuer has no obligation to make any such redemption.

If the Issuer elects so to redeem or not to redeem the Notes or if there is an anticipation that the Issuer will so redeem or not redeem the Notes, then this might lead to fluctuations in the market price of an investment in such Notes. Please refer to "Description of Notes – Redemption Prior to Maturity – Optional Redemption."

Tax Event: At any time with the prior approval of the SBS, or any other then-applicable Peruvian Governmental Authority, if then required, the Bank may redeem the Notes in whole, but not in part, upon giving not less than 10 days' (or, to the extent required by an applicable clearing system, such longer period) but no more than 60 days' notice to the Holders of the Notes, following the occurrence of a Tax Event; *provided* that such redemption: (a) must comply with the requirements set forth in the Subordinated Debt Regulation and (b) is not prohibited by Peruvian law or regulation (which includes the Peruvian Banking Law, the Subordinated Debt Regulation and any other applicable regulation issued by the SBS and any Central Bank regulations). In the case of such a redemption, the Bank will redeem the Notes at a redemption price equal to 100% of the aggregate principal amount of the Notes *plus* any accrued and unpaid interest on the principal amount of the Notes, up to, but not including, the applicable Redemption Date *plus* Additional Amounts, if any (subject to the right of Holders of record on the relevant Record Date to receive interest due on the relevant Interest Payment Date). As of the date of this Offering Memorandum, Peruvian withholding income tax at the rate of 4.99% generally applies on payments of interest on the Notes; *however*, different rates might apply in certain circumstances. Please refer to "Description of Notes – Redemption Prior to Maturity – Redemption Upon a Tax Event or Regulatory Event" and "Taxation – Certain Peruvian Tax Considerations."

Regulatory Event: At any time with the prior approval of the SBS, or any other then-applicable Peruvian Governmental Authority, if then required, the Bank may redeem the Notes in whole, but not in part, upon giving not less than 10 days' (or, to the extent required by an applicable clearing system, such longer period) but no more than 60 days' notice to the Holders of the Notes, following the occurrence of a Regulatory Event; *provided* that such redemption: (a) must comply with the requirements set forth in the Subordinated Debt Regulation and (b) is not prohibited by Peruvian law or regulation (which includes the Peruvian Banking Law, the Subordinated Debt Regulation and any other applicable regulation issued by the SBS and any Central Bank regulations). In the case of such a redemption, the Bank will redeem the Notes at a redemption price equal to 100% of the aggregate principal amount of the Notes *plus* any accrued and unpaid interest on the principal amount of the Notes, up to, but not including, the applicable Redemption Date *plus* Additional Amounts, if any (subject to the right of Holders of record on the relevant Record Date to receive interest due on the relevant Interest Payment Date). It should be noted that, notwithstanding the occurrence of a Regulatory Event, the Notes will maintain their priority set out in "Description of Notes – Ranking and Outstanding Indebtedness" and the Notes will remain subject to loss absorption. Please refer to "Description of Notes – Redemption Prior to Maturity – Redemption Upon a Tax Event or Regulatory Event."

Risks Relating to Investments in the Notes Generally

In addition to the structure-specific risks noted above, investors in the Notes will be subject to additional risks relating to investing in the Notes. Such risks that the Issuer's management has identified as having a material impact on investors in the Notes are set out in this sub-category; *it being understood* that the following does not address any specific conditions of, or

circumstances relating to, any particular investor (including such investor's own tax, regulatory or other circumstances) but rather to investors generally speaking.

No Secondary Market – An active secondary market in respect of the Notes might never be established or might be illiquid and this might adversely affect the price at which an investor could sell its investment in the Notes

The Notes will have no established trading market when issued and (even though admitted to the Official List and to trading on GEM) one might never develop or, if developed, it might not be sustained. If a market does develop, then it might not be very liquid and investments in the Notes might trade at a discount to their initial offering price depending upon prevailing interest rates, the market for similar securities, general economic conditions and the Bank's financial condition. Therefore, investors might not be able to sell their investments in the Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. If an active trading market for investments in the Notes is not developed or maintained, then the market or trading price and liquidity of investments in the Notes might be adversely affected.

Market Price Volatility – The market price of an investment in the Notes might be subject to a significant degree of volatility

The market price of an investment in the Notes might be subject to significant fluctuations in response to actual or anticipated variations in market interest rates, the Issuer's and/or the Group's operating results, adverse business developments, changes to the regulatory environment in which the Group operates, changes in financial estimates by securities analysts and/or the actual or expected sale by the Group of other debt securities, as well as other factors, including the trading market for debt issued by Peruvian governmental entities. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations that, if repeated in the future, might adversely affect the market price of an investment in the Notes without regard to the Issuer's financial condition or results of operations. For example: (a) investment in the Notes involves the risk that if market interest rates subsequently increase above the Interest Rate paid on the Notes, then this will adversely affect the market price of an investment in the Notes, and (b) investment in the Notes involves the risk of adverse changes in the market price of an investment in the Notes if the interest rate of new similar debt instruments of the Issuer would be higher.

Consent for Modifications – The Notes contain provisions that permit their modification without the consent of all of the investors in the Notes

The Indenture contains provisions for amending the Indenture and/or the Notes either: (a) in certain limited circumstances, without the consent of investors, and (b) except for certain material matters such as changing the Stated Maturity Date or reducing the Interest Rate, with the consent of less than all of the investors in the Notes. As a result, binding decisions might be taken by the holders of defined percentages of the Notes that are contrary to the preferences of any particular investor in the Notes. See "Description of Notes – Modification of the Indenture, Supplemental Indenture and Notes."

Additional Notes – The Issuer may issue further Notes, which would dilute the existing Holders' share of the Notes

The Issuer may from time to time, with the prior approval of the SBS, without the consent of the investors in the Notes, create and issue Additional Notes so that the same shall be consolidated with the Notes. To the extent that the Issuer issues such Additional Notes, the share of an existing Holder (e.g., in respect of any amendments of the Notes (see "--Consent for Modifications")) will be diluted. See "Description of Notes."

Transfer Restrictions – Transfers of investments in the Notes will be subject to certain restrictions and investments in Global Notes can only be held through DTC

The Notes have not been and are not expected to be registered: (a) under the Securities Act or any applicable state's or other jurisdiction's securities laws or (b) with the SEC or any other applicable state's or other jurisdiction's regulatory authorities. The offering of the Notes (or beneficial interests therein) will be made pursuant to exemptions from the registration requirements of the Securities Act and in compliance with other securities laws. Accordingly, reoffers, resales, pledges and other transfers of investments in the Notes will be subject to certain transfer restrictions. Each investor is advised to consult its legal advisors in connection with any such reoffer, resale, pledge or other transfer. See "Plan of Distribution - Selling Restrictions" and "Transfer Restrictions."

Because transfers of interests in the Global Notes can be effected only through book entries at DTC for the accounts of its direct participants, the liquidity of any secondary market for investments in the Global Notes might be reduced to the extent that some investors are unwilling or unable to invest in Notes held in book-entry form in the name of a direct participant in DTC. The ability to pledge interests in the Notes (or beneficial interests therein) might be limited due to the lack of a physical certificate. In the event of the insolvency of DTC or any of its participants in whose name interests in the Notes are recorded (or any indirect participants), the ability of beneficial owners to obtain timely or ultimate payment of principal and interest on the Notes might be impaired.

Enforcement of Judgments – It might not be possible for investors to enforce foreign judgments against the Bank or its management

The Bank is a corporation (*sociedad anónima*) organized under the laws of Perú (specifically, under the Peruvian Banking Law). Certain of the directors and officers of the Bank reside inside Perú and all or a substantial portion of the assets of such persons might be, and substantially all of the assets of the Bank are, located in Perú. As a result, it might not be possible for investors in the Notes to effect service of process upon such persons outside Perú or to enforce against them in the courts of jurisdictions other than Perú any judgments obtained in such courts that are predicated upon the laws of such other jurisdictions.

In addition, a judgment of a court established in a country other than Perú might not be enforced in Peruvian courts in certain circumstances or, if enforced, might only be enforced in local currency. There is no treaty between the United States and Perú providing for reciprocal enforcement of judgments and there is uncertainty as to the enforceability of court judgments obtained in the United States by Peruvian courts. The same might apply for judgments obtained in other jurisdictions. For further information, see “Enforcement of Judgments and Service of Process.”

Change in Law – The value or market price of an investment in the Notes might be adversely affected by a change in the laws of New York or Perú or in administrative practice in those jurisdictions

The Notes are based upon the laws of New York and Perú and administrative practice in effect as of the date of this Offering Memorandum. No assurance can be given as to the impact of any possible judicial decision or change to the laws of New York or Perú (or the laws of any other jurisdiction) (including any change in regulation that might occur without a change in the primary legislation) or administrative practice in New York or Perú after the date of this Offering Memorandum, nor can any assurance be given as to whether any such change might materially adversely affect the ability of the Issuer to make payments under the Notes or the value and/or market price of an investment in the Notes.

Reliance upon Clearing Systems – Investors in Global Notes will be subject to the rules of the applicable clearing system and their ability to exercise rights relating to the Notes directly might be limited

Unless issued in definitive form, the Notes will be represented by the Global Note that will be deposited on or about the Issue Date with the Custodian for, and will be registered in the name of Cede & Co. as nominee of, DTC. Except in the circumstances described in the Indenture, investors in a Global Note will not be entitled to receive Notes in definitive form. DTC and its direct and indirect participants (including Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants) will maintain records of the beneficial interests in each Global Note held through it. While Notes are represented by a Global Note, investors will be able to trade their beneficial interests therein only through DTC and its direct and indirect participants.

For so long as the Notes are represented by Global Notes, the Issuer will discharge its payment obligations thereunder by making payments through DTC. A holder of a beneficial interest in a Global Note must rely upon the procedures of DTC and its direct and indirect participants to receive payments in respect of their interests in such Global Note. The Issuer will have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note.

Holders of beneficial interests in a Global Note will be subject to the applicable procedures of DTC, its direct and indirect participants and any other intermediary and will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by DTC and its direct and indirect participants to appoint appropriate proxies or to act directly. Similarly, holders of beneficial interests: (a) in a Global Note might have to prove their interests in order to take enforcement action against the Issuer in the event of a default under the

Notes and (b) will be subject to the applicable procedures of DTC and might not have a direct right to take enforcement action against the Issuer in the event of a default under the Note.

Sanction Targets

Each of the United States, the United Nations Security Council, the UK, the EU and Perú have enacted and/or administer and/or enforce economic sanctions or restricted measures (collectively, “*Sanctions*”) that restrict the ability of relevant persons to invest in, or otherwise engage in business with: (a) certain countries and territories, including Russia, Belarus, the Crimea region of Ukraine, the non-Ukrainian-controlled areas of Donetsk and Luhansk, Cuba, Iran, North Korea and Syria, and (b) specially designated individuals and entities (the targets of all such restrictions being together the “*Sanction Targets*”). As the Bank is not a Sanction Target, these rules do not prohibit U.S., UK or EU investors from investing in, or otherwise engaging in business with, the Bank; *however*, while the Group has adopted and maintains a risk-based compliance program that the Bank’s management believes is reasonably designed to comply with applicable Sanctions, to the extent that the Group invests in, or otherwise engages in business with, Sanction Targets, investors in the Notes might incur the risk of indirect contact with Sanction Targets. See “The Group and its Business – Anti-Money Laundering, Combatting the Financing of Terrorism and Anti-Bribery Policies” and “The Group and its Business – Compliance with Sanctions Laws.”

Exchange Rate Risks and Exchange Controls – If U.S. dollars are not an investor’s home currency, then such investor will be exposed to movements in exchange rates adversely affecting the value of such investor’s holding; in addition, the imposition of exchange controls in relation to the Notes might result in an investor not receiving payments on the Notes

The Issuer will pay principal and interest on the Notes in U.S. dollars, which presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency or currency unit (the “*Investor’s Currency*”) other than U.S. dollars. These include the risk that exchange rates might significantly change (including changes due to devaluation of U.S. dollars or revaluation of the Investor’s Currency) and the risk that the Peruvian government and/or authorities with jurisdiction over the Investor’s Currency might impose or modify exchange controls. An appreciation in the value of the Investor’s Currency relative to U.S. dollars would decrease: (a) the Investor’s Currency-equivalent yield on the Notes, (b) the Investor’s Currency-equivalent value of the interest and principal payable on the Notes and (c) the Investor’s Currency-equivalent market price of an investment in the Notes.

Government and monetary authorities might impose exchange controls that might adversely affect an applicable exchange rate and/or the ability to convert and/or transfer currency. If this occurs, particularly if it directly affects the Bank’s payments on the Notes, then an investor in the Notes might receive less interest or principal than expected, or no interest or principal, and/or might receive payment in a currency other than U.S. dollars. An investor might also not be able to convert (at a reasonable exchange rate or at all) amounts received in U.S. dollars into the Investor’s Currency, which might materially adversely affect the market price of an investment in the Notes. There might also be tax consequences for investors of any such currency changes.

Credit Ratings – Credit ratings assigned to the Issuer or the Notes might not reflect all risks associated with an investment in the Notes and might be lowered, suspended or withdrawn

The credit ratings of the Issuer and the expected initial credit ratings of the Notes are set out herein. Any relevant Rating Agency may lower, suspend or withdraw its rating if, in its sole judgment, the credit quality of the Issuer or the Notes (as applicable) has declined or is in question. If any credit rating assigned to the Issuer or the Notes is lowered, suspended or withdrawn, then the market price of an investment in the Notes might decline. Neither any Rating Agency nor the Issuer has any obligation to maintain any such credit rating during the life of the Notes, including from any particular Rating Agency.

In addition to the credit ratings of the Issuer and the Notes provided by the Rating Agencies, one or more other independent credit rating agency(ies) might assign a credit rating to the Notes and/or the Issuer, which credit rating might be lower than the current credit rating(s) of the Notes and/or the Issuer. Also, if any credit rating assigned to Perú and/or BBVA is lowered or put on negative watch, then such change might have a negative impact on the Issuer’s and/or the Notes’ credit rating. In addition, the credit ratings might not reflect the potential impact of all risks relating to the structure, market, additional factors discussed above and other factors that might affect the value or market price of an investment in the Notes.

A credit rating is not a recommendation to buy, sell or hold securities and might be revised, suspended or withdrawn by the applicable rating agency at any time. Similar credit ratings on different types of securities do not necessarily mean the same thing. Credit ratings on the Notes also do not address the marketability of investments in the Notes or any market price. Any change in the credit rating(s) of the Notes or the Issuer might adversely affect the price that a subsequent purchaser will be willing to pay for investments in the Notes. The significance of each credit rating should be analysed independently from any other credit rating.

USE OF PROCEEDS

The Bank will incur various expenses in connection with the issuance of the Notes, including underwriting fees, legal counsel fees, rating agency expenses and listing expenses. Subject to the following paragraphs of this section, the net proceeds of the issuance of the Notes will be applied by the Bank for its general corporate purposes.

The Bank initiated a tender offer (the “*Tender Offer*”) on March 4, 2024 for all of the Existing Tier II Notes. The Tender Offer is conditioned upon, among other things, the issuance of the Notes; *however*, the issuance of the Notes is not conditioned upon the consummation of the Tender Offer. Any Existing Tier II Notes so purchased will be cancelled. The proceeds of the issuance of the Notes are intended to be used for such purpose to the extent that any Existing Tier II Notes are so purchased in the Tender Offer.

If the Bank purchases less than all of the Existing Tier II Notes in the Tender Offer, then it might (though is not obligated to) redeem the remaining Existing Tier II Notes in September 2024 in accordance with the terms of the indenture governing the Existing Tier II Notes. If it elects to do so, then some of the proceeds of the issuance of the Notes might be used for such purpose.

Nothing in this Offering Memorandum constitutes an offer to purchase or a solicitation of an offer to sell the Existing Tier II Notes or a notice of redemption or satisfaction and discharge of the Existing Tier II Notes and the related indenture. Any such notice would be given in accordance with the terms of the indenture governing the Existing Tier II Notes.

SUMMARY FINANCIAL AND OTHER INFORMATION

Unless otherwise indicated, the following summary financial and other information have been extracted (except as noted in the “Key Ratios and Other Information” table) from the Consolidated Annual Financial Statements. The information in this section should be read in conjunction with the information contained in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the Consolidated Annual Financial Statements (including the notes therein).

	2021	2022	2023
Statement of Income Data:		<i>(Soles thousands)</i>	
Interest income	4,273,516	5,739,163	7,585,895
Interest expenses	(634,973)	(1,125,846)	(2,228,895)
Gross financial margin	3,638,543	4,613,317	5,357,000
Provisions for direct loans, net of recoveries ⁽¹⁾	(752,691)	(984,612)	(1,963,483)
Net financial margin	2,885,852	3,628,705	3,393,517
Income from financial services, net	873,397	893,408	1,013,670
Profit or loss from financial transactions	672,388	620,496	846,939
Administrative expenses ⁽²⁾	(1,805,002)	(2,146,352)	(2,474,631)
Depreciation and amortization	(194,623)	(209,980)	(230,856)
Measurement of assets and provisions ⁽³⁾	(168,985)	(124,661)	(189,104)
Other income and expenses, net	(10,805)	14,006	74,027
Profit before income tax	2,252,222	2,675,622	2,433,562
Income tax	(691,722)	(753,863)	(559,826)
Net profit	1,560,500	1,921,759	1,873,736

(1) Provisions for direct loans, net of recoveries include provisions with respect to total direct loans. Direct loans represent outstanding loans while indirect loans include guarantees and standby letters of credit, import and export letters of credit and bank acceptances.

(2) Administrative expenses include personnel, taxes (other than income taxes) and general expenses.

(3) Includes provisions for indirect loans.

	As of December 31,		
	2021	2022	2023
Balance Sheet Data:		(Soles thousands)	
Cash and due from banks	16,295,026	12,145,003	9,431,609
Interbank funds	-	-	17,009
Investments at fair value through profit or loss and available-for-sale investments.....	9,760,611	11,591,723	15,148,595
Loan portfolio, net ⁽¹⁾	70,433,581	69,122,387	70,647,238
Trading derivatives.....	1,767,732	1,349,619	1,237,496
Hedging derivatives	75,805	3,659	-
Realizable, received in payment and seized assets.....	43,916	67,873	118,776
Non-current assets held for sale	85,870	86,007	94,162
Interest in associates.....	12,999	12,148	5,734
Property, furniture and equipment, net.....	1,071,479	1,077,726	1,192,939
Deferred tax.....	710,091	774,048	786,862
Other assets, net	1,238,645	1,815,253	5,643,382
Total assets.....	101,495,755	98,045,446	104,323,802
Obligations with the public and deposits from financial institutions	64,088,148	66,901,546	70,726,777
Interbank funds.....	-	-	378,451
Debts and financial obligations.....	6,840,555	4,036,978	5,907,327
Trading derivatives.....	1,572,020	1,245,843	1,076,972
Hedging derivatives	35,059	103,628	93,486
Accounts payable, provisions and other liabilities	18,791,244	14,504,077	13,771,121
Total liabilities	91,327,026	86,792,072	91,954,134
Share capital.....	6,758,467	7,382,184	8,147,211
Legal reserve	1,896,680	2,053,490	2,245,122
Unrealized results.....	(32,704)	(91,052)	107,413
Retained earnings	1,546,286	1,908,752	1,869,922
Total equity	10,168,729	11,253,374	12,369,668
Total equity and liabilities	101,495,755	98,045,446	104,323,802
Contingent risks and commitments.....	32,296,585	36,240,066	36,992,657

(1) Net of deferred interest on discount and leasing receivables *plus* accrued interest from performing loans, and after deducting provisions for loan losses.

The following table includes certain of the Group's key ratios as of and for the years ended December 31, 2021, 2022 and 2023 and certain other information. The basis for the calculation of ratios that are non-GAAP financial measures is set out in "Presentation of Financial and Other Information." Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with Peruvian GAAP.

	As of (or for the year ended) December 31		
	2021	2022	2023
Key Ratios:			
Profitability Ratios:			
Net interest margin	3.79%	5.06%	5.93%
Efficiency ratio	39.55%	39.25%	38.11%
Cost of risk	1.04%	1.33%	2.65%
Return on average total assets	1.49%	1.93%	1.85%
Return on average equity	15.98%	17.94%	15.86%
Balance Sheet Ratios:			
Deposits-to-total assets	62.27%	67.37%	66.34%
Total loans (net of provisions)-to-total assets	69.40%	70.50%	67.72%
Loans-to-deposits ratio	109.90%	103.32%	99.89%
Credit Quality:			
NPL ratio	3.73%	4.38%	4.72%
Specific provisions for loans to NPLs	107.06%	94.50%	98.69%
Specific provisions for loans to direct loans	3.99%	4.14%	4.66%
Coverage ratio	167.64%	145.38%	138.52%
Capital Adequacy:⁽¹⁾			
Common equity Tier I (“CETI”) ratio ⁽²⁾	10.25%	10.39%	12.33%
Total capital ratio ⁽²⁾	14.13%	13.96%	15.59%
Other Information:			
Group employees at period end	6,291	6,888	7,486
Branches at period end	336	335	325
Inflation rate/GDP			
CPI ⁽³⁾	6.43%	8.46%	3.24%
Gross domestic product (% change) ⁽⁴⁾	13.4%	2.7%	(0.6)%
Sol/US\$ Exchange Rate:			
Period end	3.97	3.81	3.71

(1) Capital adequacy ratios are calculated on a Bank-only basis.

(2) Capital adequacy ratios are calculated in accordance with SBS guidelines. The increase in the CET1 ratio (and thus also the total capital ratio) in 2023 is in large part attributed to the implementation of changes to Peruvian regulations to attain alignment with Basel III, including the incorporation of earnings in the capital measurement and deductions for intangibles, unrealized gains/losses from available-for-sale investments. See “Supervision and Regulation – Basel III – Capital Adequacy Requirements.”

(3) Base year – 2021.

(4) Represents the growth of GDP.

CAPITALIZATION OF THE GROUP

The following table sets forth the capitalization of the Group as of the indicated dates. The following financial information has been extracted from the Consolidated Annual Financial Statements. This table should be read in conjunction with the information contained in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the Consolidated Annual Financial Statements (including the notes therein).

	As of December 31		
	2021	2022	2023
	<i>(Soles thousands)</i>		
Share capital	6,758,467	7,382,184	8,147,211
Reserves	1,896,680	2,053,490	2,245,122
Unrealized results	(32,704)	(91,052)	107,413
Retained earnings	1,546,286	1,908,752	1,869,922
Total equity	10,168,729	11,253,374	12,369,668
Debt securities and funds borrowed ⁽¹⁾	3,772,362	3,429,497	4,951,390
Total capitalization	13,941,091	14,682,871	17,321,058

(1) Includes the Existing Tier II Notes and long-term debts and financial obligations.

Should the Tender Offer and/or the potential early redemption of the Existing Tier II Notes result in a full cancellation/repayment of the Existing Tier II Notes, then the capitalization of the Group (on a *pro forma* basis as if the issuance of the Notes and the cancellation/repayment of the Existing Tier II Notes had both occurred on December 31, 2023) would be unchanged.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the consolidated financial position and results of operations of the Group covers the fiscal years ended December 31, 2021, 2022 and 2023. Unless otherwise specified, the financial information presented in this discussion has been extracted from the Consolidated Annual Financial Statements and Unconsolidated Annual Financial Statements. This section should be read in conjunction with the Consolidated Annual Financial Statements (including the notes therein) and the other financial information included in this Offering Memorandum (including the section entitled "Presentation of Financial and Other Information"). For a discussion of current significant differences between IFRS and Peruvian GAAP, see Appendix A ("Overview of Differences between IFRS and Peruvian GAAP").

The operations of the Bank are undertaken both by the Bank directly and through its consolidated entities; *however*: (a) the Bank is the issuer of the Notes, (b) it is only the Bank that has any payment or other obligations in respect of the Notes and (c) no other member of the Group nor any other entity will have any responsibility for the Bank meeting its obligations under the Notes.

Significant Factors Affecting the Group's Financial Condition and Results of Operations

The Group's financial condition, results of operations and prospects depend significantly upon the macroeconomic, political and regulatory conditions prevailing in Perú as well as other factors. The impact of these factors might vary significantly in the future and many of these factors are outside the control of the Group. Prospective investors should (among other things) consider the factors set forth under "Cautionary Statement Regarding Forward-Looking Statements" and "Risk Factors." The following describes the most significant of such factors since the beginning of 2021.

Peruvian Economy and Political Developments

The Group's operations are all in Perú and related to Peruvian activities and, accordingly, its results of operations and financial condition are and will continue to be significantly affected by Peruvian political, regulatory and macroeconomic factors, including factors such as currency fluctuations, the Central Bank's monetary and regulatory policies, economic growth rates, inflation, poverty and fluctuations in interest rates in Perú (and any changes to Perú's sovereign credit ratings). For additional information on developments in Perú, see "Risk Factors - Risks Relating to Perú."

The following table provides certain macroeconomic indicators for Perú, including real GDP growth, inflation rates and the Central Bank's overnight Peruvian Sol policy rate for each of the indicated periods, as well as the average exchange rates between the Peruvian Sol and the U.S. dollar for such periods:

	As of or for the year ended December 31		
	2021	2022	2023
GDP (Soles billions).....	877.8	939.4	1,001.7
GDP (US\$ billions) ⁽¹⁾	226.1	245.2	268.0
Real GDP growth in Soles (%).....	13.4	2.7	(0.6)
GDP per capita (US\$).....	6,845.4	7,342.1	7,947.2
Unemployment rate (%).....	5.7	4.3	5.1
Central Bank policy rate (%).....	2.50	7.50	6.75
Benchmark yield, two year (year-end, %).....	3.89	6.34	5.68
Consumer Price Inflation (%).....	6.4	8.5	3.2
Exports (US\$ billions).....	63.0	66.2	67.2
Imports (US\$ billions).....	48.0	55.9	49.8
Trade surplus/(deficit) (US\$ billions).....	15.0	10.3	17.4
Current account surplus/(deficit) (US\$ billions).....	(5.1)	(9.9)	1.7
Budget surplus/(deficit) (Soles billions).....	(22.2)	(16.0)	(27.6)
US\$/Sol Indicative Exchange Buying Rate ⁽²⁾	3.97	3.81	3.71

(1) As published by the Central Bank, which uses certain annual averaging techniques and thus this amount would differ were year-end exchange rates used in such calculations.

(2) The Sol indicative exchange rate for purchases of U.S. dollars announced by the Central Bank as of the end of the period.

Since the beginning of 2021, economic conditions across emerging markets, including Perú, have been volatile as a result of several factors, including expectations regarding slower growth in China, trade disputes between the U.S. and China, the expectation of (and actual) policy rate changes by the U.S. Federal Reserve, the strengthening of the U.S. dollar, the impact of the COVID-19 pandemic, inflationary pressures starting in 2021 and the Russian invasion of Ukraine. See “-Global Economic Conditions” below. In addition, there has been considerable uncertainty regarding Perú’s political conditions resulting from a variety of factors (see “Risk Factors - Risks Relating to Perú - Political Conditions - Political Developments” and “Risk Factors - Risks Relating to Perú - Political Conditions - Terrorism and Conflicts”), including corruption scandals and political instability, most prominently the impeachment of former President José Pedro Castillo in December 2022.

Partially as a result of these factors, GDP growth in Perú has been volatile, which has impacted the Group’s growth and increased NPLs. In 2020, Perú experienced a 10.9% contraction in GDP as a result of the impact of the COVID-19 pandemic, including the impact of the lockdown and mobility restrictions implemented by the Peruvian government to contain the spread of the pandemic, which in turn resulted in lower employment, the postponement of investment projects and restricted access to goods and services and an increase in poverty from 20.1% in 2019 to 30.1% in 2020 (poverty reduced to 27.5% in 2022 but remains significantly higher than before the pandemic). At the beginning of 2021, Perú continued to struggle from the effects of the pandemic but started to recover over time as targeted lockdowns decreased and were eventually lifted and the vaccination program accelerated. The recovery was mainly driven by domestic demand-oriented sectors, improved trade terms, higher private consumption and the base effect of such improvements as compared to 2020; *however*, such improved economic landscape was negatively affected by the uncertainty that arose in advance of the April 2021 presidential and congressional elections. These political events contributed to a slowdown in GDP growth, volatility of the exchange rate and weakening of the Sol, which in turn also affected inflation. As a result of these factors, Peruvian GDP grew by 13.4% in 2021 to return close to the figures experienced before the pandemic.

In 2022, political uncertainty and social unrest caused an economic deceleration that caused GDP growth to fall to 2.7%, with mining, tourism and agriculture being particularly impacted. In addition, inflation accelerated to 8.5%, which caused the Central Bank to tighten its monetary policy by increasing the reference policy rate to 7.50% in December 2022. In 2023, Perú’s GDP contracted by 0.6%, which reflects the impact of political unrest during the months of January and February, cyclone Yaku and the *El Niño* phenomenon, coupled with expectations of a persistence of *El Niño* during 2024.

For 2024, the Central Bank (in its publication of December 22, 2023) has estimated real GDP growth of 3.0%, which reflects the dissipation of supply shocks that affected the economy in 2023 but also continuing concerns about political stability as well as high global interest rates and a sluggish recovery of domestic demand given a lack of confidence, again coupled with expectations of a persistence of *El Niño* during the year.

In 2021, the CPI inflation rate surged to 6.43%, reflecting primarily an increase in the prices of food, energy, consumer durables and transportation, which increases resulted from the impact of disruptions in supply chains and the reopening of the Peruvian economy from COVID-19-related restrictions. In 2022, the CPI inflation rate was 8.46%, reflecting significant increases in the prices of food, energy and imported products. In 2023, the CPI inflation rate was 3.24%, which decline was due to tight monetary policy, a high year-on-year comparison base and domestic demand weakness. See also “Risk Factors - Risks Relating to Perú - Economic Conditions - Inflation.”

In 2023, Perú’s trade surplus increased 68.4% from 2022, reflecting weak levels of imports due to depressed domestic demand. The surplus equaled 6.5% of the country’s GDP in 2023, following 4.2% in 2022 and 6.6% in 2021. The national budget deficit was 2.5%, 1.7% and 2.8% of GDP in 2021, 2022 and 2023, respectively, with gross public debt as of December 31, 2023 representing 32.9% of Perú’s 2023 GDP. This deficit increases the risks in Perú’s economy, including risks relating to the government’s financing of this deficit.

As of December 31, 2023, the Central Bank held US\$71 billion of international reserves, equivalent to 26.5% of Perú’s 2023 GDP and approximately six times Perú’s short-term (*i.e.*, less than one year) external liabilities. Additionally, the Peruvian government’s stabilization fund was US\$3.2 billion (1.2% of Perú’s 2023 GDP) as of December 31, 2023, which fund can only be used for emergency spending in the event of scenarios that would have a significant direct impact on the national economy, such as emergency situations or economic crises.

Continuing high levels of unemployment might affect the Group’s customers, which might impair its business strategies and/or have a material adverse effect on its business, financial condition and/or results of operations.

Impact on Asset Quality. NPLs are particularly sensitive to economic conditions and this remains a key area of focus for the Bank. The Bank's NPL ratio as of December 31, 2021, 2022 and 2023 was 3.70%, 4.37% and 4.71%, respectively. The deterioration of the macroeconomic conditions in Perú, particularly in the second half of 2023, has led to higher provisions as well as lower provision recoveries, an increase in NPLs and a slowdown in the origination of new loans due to more stringent lending requirements that the Bank has put in place. The Bank's loan provisions have also been impacted amidst higher risk in retail loans due to the political uncertainty, weather events and economic deceleration in the last part of 2023. Such an increase in the Bank's provision expenses, particularly in the retail sector, has had a negative impact on the Bank's cost of risk and profitability, a trend that the Bank expects to continue and accentuate in accordance with Perú's macroeconomic conditions.

Global Economic Conditions

The Group's performance will continue to be influenced by conditions in the global economy. The outlook for the global economy (and particularly emerging markets) over the near to medium term remains challenging, which in turn might impact prospects for stabilization and improvement of economic and financial conditions in Perú. A lack of improvement, or deterioration in these conditions, might have a material adverse effect on the Bank's business, financial condition and/or results of operations.

In 2020, the global economy worsened with the impact of the COVID-19 pandemic. While the global economy recovered in 2021, growth in 2022 and 2023 was negatively impacted by the rate increases implemented by the U.S. Federal Reserve and other central banks in response to elevated levels of inflation. For further information on macroeconomic risk factors, see "Risk Factors - Risks Relating to the Group and its Business" and "Risk Factors - Risks Relating to Perú."

On 3 March 2020, the U.S. Federal Reserve implemented a 50 basis point emergency cut to address the evolving risks on the global economy posed by the COVID-19 coronavirus, which was followed on 16 March 2020 with a further 100 basis point reduction. As a result of rapid growth and supply disruptions as the impact of the pandemic was reduced, inflation accelerated throughout 2021 and 2022 and central banks and monetary policy turned towards tightening. For example, in November 2021, the U.S. Federal Reserve announced that it would reduce the monthly pace of its net asset purchases, and (in March 2022) increased its policy rate by 25 basis points and thereafter increased it various times. This process stabilized during the second half of 2023, with indications that inflation in the United States was declining and policy rates might be reduced during 2024.

Early in 2020, the impact of the COVID-19 coronavirus on global markets increased risks to global growth and financial markets, with significant negative impacts on Perú, the United States and most other jurisdictions throughout 2020 and continuing into 2021 and 2022. These and other key factors, such as geopolitical tensions, might have a material adverse impact on international financial markets and economic conditions and, in turn, the market's anticipation of these impacts might have a material adverse effect on the Peruvian economy and the Bank's business, financial conditions and/or liquidity. In particular, these factors might disrupt payment systems, money markets, long-term and short-term fixed income markets, foreign exchange markets, commodities markets and equity markets and adversely affect the cost and availability of funding, particularly to emerging market countries.

Interest Rates and Central Bank Policy

One of the primary factors influencing the Group's profitability is the level of short-term interest rates in Perú (including both policy rates and market-rates, which have been further impacted by market expectations regarding inflation and foreign exchange rates), which affects the return on its securities portfolio and its loan and deposit rates. Interest rates earned and paid on the Group's assets and liabilities reflect, to a certain degree, current inflation, expectations regarding inflation, shifts in short-term interest rates set by the Central Bank and movements in long-term real interest rates.

Because the Group's interest-bearing liabilities (principally deposits) generally reprice faster than its interest-earning assets, changes in the short-term interest rates in Perú are generally reflected in the rates of interest paid by the Group on its liabilities before such interest rates are reflected in the rates of interest earned by the Group on its assets. Therefore, when short-term interest rates fall, the Group is both positively affected (for example, the value of its fixed rate securities portfolio might increase and its interest margins might improve), but can also be negatively impacted (for example, through the decline in net interest margins on assets (such as new loans) funded by relatively low interest rate deposits, including demand deposits). On the other hand, when short-term rates increase, the Group's interest margin is generally negatively affected (as was the case, for example, in 2022), as it will generally pay higher interest rates on its interest-bearing liabilities before it can modify the

rates of its interest-earning assets. As a result of the COVID-19 pandemic, on April 9, 2020, the Central Bank took several measures to support growth, such as reducing the reference interest rate from 2.25% *per annum* to 0.25% *per annum*. Thereafter, as inflation increased, the Central Bank made various increases until the rate hit 7.50% *per annum* in December 2022, where it stayed until September 14, 2023. Since then, the Central Bank has decreased the rate to 6.25% *per annum* as of the date of this Offering Memorandum.

Similar to changes in short-term interest rates, an increase in long-term rates (such as in 2022) generally has at least a short-term negative effect on the Group's net interest margin because its interest-earning assets generally have a longer repricing duration than its interest-bearing liabilities and because a portion of its interest-earning assets have fixed rates of interest. In addition, rising interest rates initially would likely reduce the value of the Group's securities investment portfolio, but ultimately would likely result in increased interest income on other assets included in this portfolio. Interest rates are expected to remain volatile as a result of factors generally affecting emerging markets as well as domestic economic and political conditions in Perú. See “-Peruvian Economy” above and “Risk Factors - Risks Relating to the Group and its Business - Market Risks - Interest Rate Risks.”

The Group's balance sheet structure provides a partial hedge against short- to medium-term interest rate movements. Lower interest rates, together with economic stability, support loan growth and NPL collections. Higher interest rates, on the other hand, have a positive effect on yields on securities, since a significant portion of the Group's securities have a variable interest rate, which partly mitigates higher deposit costs and slowing loan growth. The Bank's senior management seeks to proactively change the mix of the Group's variable and fixed rate assets and liabilities depending upon market conditions and expectations, while bearing in mind market trends and the Group's risk management policies, to minimize risk and maintain a balanced composition of assets and liabilities.

Exchange Rates

A significant portion of the Group's assets and liabilities are foreign currency risk-bearing (31.95% and 31.91% of total assets and liabilities, respectively, as of December 31, 2023), almost entirely the U.S. dollar. The Group is exposed to fluctuations in foreign currency exchange rates, which impact net open monetary positions in a different currency than the Group's functional currency. The Group's long open positions were S/727,580 thousand, S/49,559 thousand and S/173,470 thousand, respectively as of December 31, 2021, 2022 and 2023. By maintaining a reasonably balanced foreign currency position throughout each of the past three fiscal years, the Group (after giving effect to the Group's hedging strategy and other off-balance sheet positions) had foreign exchange differences of S/212,586 thousand in 2021, S/934,505 thousand in 2022 and S/707,071 thousand in 2023. See also “-Operating Income - Other Operating Income” and “-Operating Expenses.”

While the Sol floats freely against other currencies, the Central Bank intervenes in the market (buying or selling Soles, particularly in relationship with the U.S. dollar) in an attempt to avoid large fluctuations in the exchange rate and the resultant effects that might have on the Peruvian economy. In 2021, the Sol depreciated due to political uncertainty; *however*, this depreciation partly reverted in 2022 and 2023.

The Bank translates its foreign currency-denominated assets and liabilities, as well as interest earned or paid on such assets and liabilities, and gains or losses realized upon the sale of such assets, into Soles in preparing the Bank's and the Group's Financial Statements at the foreign exchange rate as of the date that transactions are performed (for monetary items, using the closing exchange rate of the last date of the applicable Financial Statement using exchange rates set by the SBS). As a result, the Group's reported income is affected by changes in the value of the Sol with respect to foreign currencies. Exchange rate movements can also have an effect on the Sol-equivalent value of the Group's foreign currency-denominated assets, liabilities and equity, which can affect capital adequacy either positively (for example, if the Sol appreciates, then assets in foreign currencies translate into fewer Sol in the calculations of capital adequacy ratios and thus increase the capital adequacy ratios) or negatively (for example, if the Sol depreciates, then assets in foreign currency translate into more Sol in the calculations of capital adequacy ratios and thus reduce the capital adequacy ratios). The overall effect of exchange rate movements on the Group's results of operations depends upon the successful implementation of the Group's hedging strategies as well as the rate of depreciation or appreciation of the Sol against its principal trading and financing currencies, particularly if such depreciation or appreciation is of a larger scale than anticipated.

Competition

The Bank faces intense competition, which can affect its margins, growth and profitability. See “The Group and its Business – Competition.”

Critical Accounting Policies

The Group’s accounting policies are integral to understanding its financial condition and results of operations presented in the Financial Statements. The Group’s critical accounting policies under Peruvian GAAP as of and for the year ended December 31, 2023 are described in the notes to the Consolidated Annual Financial Statements as of and for the year ended on such date (significant accounting policies for Financial Statements for other accounting periods being set forth in the respective notes).

The preparation of the Financial Statements requires the Bank’s senior management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reported period. The Group’s critical accounting policies are those that are most important to the portrayal of its financial condition and results of operations and that require the Group to make its most difficult and subjective judgments, often as a result of a need to make estimates of matters that are inherently unpredictable. On an ongoing basis, management evaluates its estimates and judgments, including those related to allowance for losses, investments, income taxes, financing operations and contingencies, litigation and arbitration. Management bases its estimates and judgments upon historical experience and various other factors that the Bank’s management believes to be reasonable under the circumstances. The Bank’s and/or the Group’s actual results might differ significantly from these estimates under different assumptions, judgments and conditions.

In “Accounting Principles and Practices” in the notes to the Consolidated Annual Financial Statements, the Group lists various accounting policies that have a significant impact on the Group’s results of operations and financial conditions. The Bank’s senior management believes that the following significant accounting policies require more critical judgments or estimates or involve a greater degree of complexity in the application of accounting policies that affect the Group’s financial condition and results of operations.

Provisions for Loan Losses

Provisions for loan losses are determined following guidelines established by SBS Regulation No. 11356-2008 (“Regulation for the Evaluation and Classification of the Debtor and the Requirement of Provisions”) and SBS Regulation No. 6941-2008 (“Regulation for the Managing of the Risk from Retail Debtors with High Leverage Levels”). In general, these guidelines include the following components: (a) the provision for losses resulting from the risk rating of the portfolio, (b) the pro-cyclical rule activated by the SBS based upon the behavior of specific domestic macro-economic variables, (c) the over-indebtedness provisions of the retail portfolio and (d) additional provisions for rescheduled loans.

The provision for the risk rating of the portfolio is determined based upon an assessment that the Group’s management periodically performs over its portfolio of assets, classifying assets into one of the following categories depending upon the non-payment risk grade of the applicable counterparty: normal, with potential problems, substandard, doubtful or loss. For non-retail assets, the classification into one of such categories considers (*inter alia*) the counterparty’s payment experience, the payment history of the specific asset, the Bank’s dealings history with the counterparty’s management, the counterparty’s operating history, repayment capability and availability of funds, the status of any collateral or guarantee received, an analysis of the counterparty’s financial statements and the risk classification given by other local financial institutions. For retail loans, the classification is primarily based upon how long payments are overdue.

The provisions are then computed based upon the risk classifications assigned, using specific percentages that vary depending upon whether an asset is backed by highly liquid collateral (*e.g.*, cash deposits and rights over credit letters), certain other preferred collateral (*e.g.*, public debt instruments issued by the Peruvian government and marketable securities listed on the BVL) or other collateral (*e.g.*, a primary pledge on financial instruments, real property or agricultural or mining concessions or insurance on export credits). The collateral received is considered at its net realizable value as determined by independent appraisers. In addition, computing the provision must consider the credit classification of any guarantor. Notwithstanding the above, provisions for customers classified as doubtful or loss for more than 36 and 24 months, respectively, are computed

without considering the value of any collateral or guarantees. For indirect loans (*e.g.*, letters of guarantee and letters of credit), provisions are calculated using a conversion factor established by the SBS.

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

In addition to loan-specific provisions for loans categorized as with potential problems, substandard, doubtful or loss, there is a pro-cyclical provision that is calculated for loans classified as normal, which provision is based upon percentages established by the SBS; *however*, as of each of December 31, 2021, 2022 and 2023, this pro-cyclical provision was suspended by the SBS. See note 3(e)(v) to the Consolidated Annual Financial Statements as of and for the year ended December 31, 2023.

As described in “Supervision and Regulation - Risk of Over-Indebtedness by Consumer Banking Customers,” Peruvian banks are required to implement policies to avoid consumers becoming overly indebted. Should a bank fail to comply with these requirements, then it is required to calculate the related credit risk by applying a 20% factor to the unused amount of revolving credit lines for small and micro-business and consumer debtors, and on the basis of such amount, compute the provision according to the debtor’s classification. As the Bank is in compliance with these requirements, the Bank did not have to maintain any such additional provisions.

During 2020, due to the national state of emergency resulting from the COVID-19 pandemic, the SBS established exceptional measures regarding the provision for credit risk with respect to credits covered by a guarantee under the Reactiva Perú program (a program implemented by the government to, among other things, minimize the financial impact of the COVID-19 pandemic) and rescheduled loans. See note 3(e)(v) to the Consolidated Annual Financial Statements as of and for the year ended December 31, 2023.

Fair Value of Financial Instruments

The Group’s financial instruments are classified as either financial assets measured at fair value through profit or loss (*i.e.*, trading securities) or financial assets measured at fair value through other comprehensive income. While financial assets measured at amortized cost are recorded at their acquisition cost and measured at amortized cost calculated as per the effective interest rate method, the Group’s financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income (which collectively represented 100% of the Group’s total securities portfolio as of December 31, 2023) are recorded at fair value, with changes in fair value being recorded in total comprehensive income (for the trading portfolio and where there is a permanent impairment or sale of available-for-sale financial assets) or equity (for other available-for-sale financial assets). In the case of permanent impairment of financial assets measured at amortized cost, such impairment losses are also recognized in income. As of December 31, 2021, 2022 and 2023, a total of S/9,760,611 thousand, S/11,591,723 thousand and S/15,148,595 thousand, respectively, in such securities were recorded at fair value in the Group’s balance sheet.

Fair value is defined as the value at which a position could be closed out or sold in a transaction with a willing and knowledgeable unrelated party (without any deduction for transaction costs). The Group estimates fair value using quoted market prices when available. When quoted market prices are not available, the Group uses a variety of models that include dealer quotes, pricing models and quoted prices from instruments with similar characteristics or discounted cash flows. The determination of fair value when quoted market prices are not available involves judgment by the Group’s senior management as to whether the change in the value of a security is “other-than-temporary,” in which case a revaluation will be merited. If the Group’s management determines this to be the case, then such securities would be written-down and such amounts would be reflected as impairment losses, net, under operating expense. Factors that are used by the Group’s management in determining whether a decline is “other-than-temporary” include the observed period of the loss, the degree of the loss and the expectation as of the date of analysis as to the potential for realization of the security.

There is often limited market data to rely upon when estimating the impact of holding a large or aged position. Similarly, judgment must be applied in estimating prices when no external parameters exist. Other factors that can affect the estimates include incorrect model assumptions and unexpected correlations. The imprecision in estimating these factors might affect the amount of revenue or loss recorded for a specific asset or liability. As of December 31, 2023, the Group did not hold any financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income for which it could not use market prices or observable market inputs to determine fair value.

Derivatives

The Group enters into transactions with derivative instruments, including forward contracts, swaps and options in the foreign exchange and capital markets. For example, the Group enters into interest rate swap transactions in order to hedge certain cash flow and currency exposures primarily on floating rate assets and liabilities through converting its floating rate income/payments into fixed rate income/payments. These derivative transactions are considered as effective economic hedges under the Group's risk management policies but (other than transactions in which the hedge accounting relationship is evidenced), if they do not qualify for hedge accounting under the specific provisions of Peruvian GAAP, then they are treated as derivatives held-for-trading. Derivative financial instruments are initially recognized in the balance sheet at fair value and subsequently are remeasured at their fair value at each reporting date.

The fair value of derivative instruments is based upon their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, then the fair value of a derivative is estimated using the available market information and the appropriate valuation methodologies; *however*, judgment is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates made are not necessarily indicative of the amounts that could be realized in a current market exchange.

The fair value of a derivative that is not exchange-traded is estimated at the amount that the Group would receive or pay to terminate the contract as of the balance sheet date taking into account current market conditions and the current creditworthiness of the counterparties. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. For derivatives that do not qualify for special hedge accounting (which are held for trading purposes instead), any gains or losses arising from changes in fair value are taken directly to income for the period whereas gains and losses arising from changes in the fair value of derivatives designated as cash flow hedges are reflected directly as a separate component of equity and reclassified to income when the hedged transaction is settled.

Recognition of Income and Expenses

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

Interest income includes interest accrued on fixed income investments classified as available-for-sale, as well as income from discounts and premiums on the Group's financial instruments. Dividends are recognized as income when declared. Commissions from financial services related to the maintenance of loans granted are recognized as income when accrued. Commissions and expenses for loan assessment and credit evaluation of direct and indirect loans are recorded as income on an accrual basis over the period of the applicable agreement. Other income and expenses are recognized as earned or incurred in the period in which they accrue.

Functional and Reporting Currency

The Group uses the Sol as its functional and reporting currency. As noted in “-Significant Factors Affecting the Group's Financial Condition and Results of Operations - Exchange Rates:” (a) assets and liabilities in foreign currency are recorded at the exchange rate prevailing at the date that transactions are performed and (b) monetary assets and liabilities denominated in foreign currency are translated into Soles using the closing exchange rate of the last date of the applicable Financial Statement using exchange rates set by the SBS. Gains or losses resulting from the translation of monetary assets and liabilities in foreign currency at the exchange rates prevailing at the date of the statements of financial position are recorded in the statement of income for the period as “foreign exchange differences” of the caption “profit or loss from financial transactions.”

Taxation

Income tax is calculated on the basis of net taxable income as calculated by applicable tax laws, which differ in certain material respects from Peruvian GAAP. The Group's effective tax rate was 30.7%, 28.2% and 23.0% for 2021, 2022 and 2023, respectively. In preparing its Financial Statements, each of the Bank and the Group is required to estimate taxes on income, which involves an estimation of current tax expenses together with an assessment of temporary differences resulting from differences between carrying amounts of assets and liabilities for financial reporting purposes and the corresponding bases used in the calculation of taxable profit. The Bank's and the Group's carrying value of net deferred tax assets assumes that the Bank or the Group, as applicable, will be able to generate sufficient future taxable income based upon estimates and assumptions. If these estimates and related assumptions prove to be incorrect, then the Bank and/or the Group, as applicable, might be required to record valuation allowances against its deferred tax assets resulting in additional tax expense in its income. The Group evaluates the recoverability of the deferred tax assets on each business day.

Analysis of Results of Operations for 2021, 2022 and 2023

The following summary financial and operating data as of and for the years ended December 31, 2021, 2022 and 2023 have been extracted from the Consolidated Annual Financial Statements. This information should be read in conjunction with the Consolidated Annual Financial Statements (including the notes therein).

The table below summarizes the Group's statement of income for the indicated years, the components of which are described in greater detail in the following sections:

	2021	2022	2023
Statement of Income Data:		<i>(Soles thousands)</i>	
Interest income	4,273,516	5,739,163	7,585,895
Interest expenses	(634,973)	(1,125,846)	(2,228,895)
Gross financial margin	3,638,543	4,613,317	5,357,000
Provisions for direct loans, net of recoveries ⁽¹⁾	(752,691)	(984,612)	(1,963,483)
Net financial margin	2,885,852	3,628,705	3,393,517
Income from financial services, net	873,397	893,408	1,013,670
Profit or loss from financial transactions	672,388	620,496	846,939
Administrative expenses ⁽²⁾	(1,805,002)	(2,146,352)	(2,474,631)
Depreciation and amortization	(194,623)	(209,980)	(230,856)
Measurement of assets and provisions ⁽³⁾	(168,985)	(124,661)	(189,104)
Other income and expenses, net	(10,805)	14,006	74,027
Profit before income tax	2,252,222	2,675,622	2,433,562
Income tax	(691,722)	(753,863)	(559,826)
Net profit	1,560,500	1,921,759	1,873,736

(1) Provisions for direct loans, net of recoveries include provisions with respect to total direct loans. Direct loans represent outstanding loans while indirect loans include guarantees and standby letters of credit, import and export letters of credit and bank acceptances.

(2) Administrative expenses include personnel, taxes (other than income taxes) and general expenses.

(3) Includes provisions for indirect loans.

Net Profit

The Group's net profit is calculated by adjusting its net financial margin for such period by the amount of its income from financial services, net, profit or loss from financial transactions, administrative expenses, depreciation and amortization, measurement of assets and provisions and other income and expenses, net for such period and then applying the charge for income tax. The Group's net profit for 2023 was S/1,873,736 thousand, a decrease of 2.5% from S/1,921,759 thousand in 2022, itself an increase of 23.2% from S/1,560,500 thousand in 2021.

In 2022, the increase in the Group's net profit was mainly due to a 25.7% increase in net financial margin, a large part of which was derived from increased gross financial margin. Interest income increased by 34.3%, largely due to the increase in the Group's portfolio of direct loans (which more than offset the decline in the investment portfolio) and increases in market interest rates, which increased interest income exceeded the increase in interest expenses, though those increased by 77.3%

largely as a result of the repricing of deposits during an increasing interest rate environment (which more than offset the decline in debts and financial obligations).

In 2023, the decline in the Group's net profit was primarily the result of significant increases in provisions for direct loans, net of recoveries, which increased by 99.4% due to the negative impact on retail and SME customers from the macroeconomic shocks associated with the political uncertainty during the first months of the year, weather events and economic deceleration in the last part of the year. The impact of these provisions more than offset the 16.1% increase in gross financial margin (itself reflecting a 32.2% increase in interest income and a 98.0% increase in interest expenses, both largely due to the higher interest rate environment in 2023). Administrative expenses also increased by 15.3% as a result of inflation, which essentially offset the 13.5% increase in income from financial services, net (which increase was largely as a result of inflation and the higher volume of fees for collections services, fees of credit cards, income from indirect loans and income from technical and legal studies) and the 36.5% increase in profit or loss from financial transactions (primarily resulting from improvements in the derivatives position, increases in the valuation of the investment portfolio and positive results in hedging operations).

The following sections describe the components of the Group's net profit in greater detail.

Net Financial Margin

The Group's net financial margin comprises its gross financial margin (which is its interest income less its interest expenses) as adjusted by its provisions for direct loans, net of recoveries, each of which is described in greater detail below.

Gross financial margin

The Group's gross financial margin is the difference between the interest income that it earns on its interest-earning assets and the interest expense that it pays on its interest-bearing liabilities. Gross financial margin is the principal area of income for the Group and thus the differential between the interest rates that it receives on interest-earning assets and the interest rates that it pays on interest-bearing liabilities (*i.e.*, its average spread), and the volume of such assets and liabilities, tend to have the most significant impact on the Group's results of operations.

Gross financial margin amounted to S/5,357,000 thousand in 2023, a 16.1% increase from S/4,613,317 thousand in 2022, itself a 26.8% increase from S/3,638,543 thousand in 2021. In 2022 and 2023, the increases were largely due to a 25.0% and 29.9%, respectively, increase in interest income from direct loan portfolio, which were partially offset by a 317.0% and 149.9%, respectively, increase in interest expense from obligations with the public due to the increase in cost of deposits.

In 2022, interest income increased by 34.3% from the prior year, supported by the increase in the Bank's average Sol loan yield to 7.49% from 5.87% in 2021, and then increased by 32.2% in 2023 due in part to the further increase in the Bank's average Sol loan yield to 9.62%. The Bank's average Sol deposit cost increased to 1.36% for 2022 from 0.26% for 2021 due to the impact of the Central Bank's rate hikes, and then further increased to 2.88% in 2023 due to the higher volume and (despite the Central Bank's policy rate cut) higher interest rate of term deposits.

The net interest margin for the Group was 3.79% in 2021, 5.06% in 2022 and 5.93% in 2023. In both 2022 and 2023, the change in net interest margin was primarily due to higher loan yields as a result of the Central Bank's rate hikes and increases in the interest rates for U.S. dollar transactions as a result of the Federal Reserve's tightening of monetary policy. See also “-Significant Factors Affecting the Group's Financial Condition and Results of Operations - Interest Rates and Central Bank Policy.”

Interest income and interest expense are discussed in greater detail below.

Interest Income. Interest income is the interest that accrues on the Group's interest-earning assets, principally loans, investment and cash. Interest income is a function of both the volume of interest-earning assets and the yield that the Group earns on these holdings. The Group's interest income increased by 32.2% in 2023 from 2022, which itself had increased by 34.3% from 2021. The following table sets out the interest earnings on the Group's interest-earning assets during the indicated years:

	2021	2022	2023
		(Soles thousands)	
Direct loan portfolio	4,016,619	5,019,347	6,520,042
Cash and due from banks	30,553	175,312	457,129
Available-for-sale investments	74,597	216,645	302,640
Investments at fair value through profit or loss	58,096	224,683	286,908
Interbank funds	547	6,753	15,057
Net gain result on hedge transactions	87,551	92,111	-
Other finance income	5,553	4,312	4,119
Total interest income	4,273,516	5,739,163	7,585,895

In 2022, the Group's "interest income from available-for-sale investments" increased by 190.4% and "interest income from investments at fair value through profit or loss" increased by 286.7%, both due to an 18.8% increase in the nominal amount of investments (largely as a result of the purchase of Peruvian government bonds) and an increase in the rate of interest earned due to increases in local interest rates. Interest income from direct loans, which increased by 25.0%, also benefited from the increase in local interest rates as well as growth in the loan portfolio.

In 2023, the increase in interest income was largely the result of the higher levels of interest rates and increases in the Group's loan portfolio, particularly in business loans made outside of the Reactiva Perú program and retail loans, with interest income from direct loans increasing by 29.9% as a result of the increase in local interest rates during 2022 and the beginning of 2023 as well as further growth in the loan portfolio. Interest income from cash and due from banks as well as interest income on the Group's investment portfolio also increased, again primarily reflecting an increasing interest rate environment.

For additional information with respect to the Bank's interest income, including with respect to Sol- and foreign currency-denominated assets, see "-Selected Statistical and Other Information - Distribution of Assets, Liabilities and Stockholders' Equity; Interest Rates and Interest Differential - Average Balance Sheet and Interest Data" and "-Net Changes in Interest Income and Expense - Volume and Rate Analysis."

Interest Expense. Interest expense is the interest that accrues on the Group's interest-bearing liabilities, principally deposits and its debts and financial obligations. As with interest income, interest expense is a function of both the volume of interest-bearing liabilities and the interest rates that the Group pays on these liabilities. The Group's interest expense increased by 98.0% in 2023 from 2022, which itself had increased by 77.3% from 2021. The following table sets out the interest expense on the Group's interest-bearing liabilities by category during the indicated years:

	2021	2022	2023
		(Soles thousands)	
Obligations with the public	150,359	627,030	1,567,138
Debts and financial obligations	351,390	312,358	289,920
Accounts payable	95,085	116,181	169,887
Deposits from financial institutions	7,019	20,560	68,951
Net loss result on hedge transactions	-	-	100,063
Interbank funds	738	13,522	15,372
Other financial expenses	30,382	36,195	17,564
Total interest expense	634,973	1,125,846	2,228,895

Changes in the interest rates that the Group pays on its interest-bearing liabilities significantly affect the Group's interest expense. Most significantly, the Group's interest-bearing obligations with the public and deposits from financial institutions represent the largest portion of its liabilities, representing 70.2%, 77.1% and 76.9%, respectively, of its liabilities as of December 31, 2021, 2022 and 2023. As a result, the interest rates that the Group pays on its deposits typically have the largest impact on the Group's interest expense.

In 2022, the increase in the Group's total interest expense was principally due to a 317.0% increase in interest expense on obligations with the public largely as a result of an increase in the volume and repricing of deposits, which was impacted by the Central Bank's increase in policy rates. In 2023, the increase in the Group's total interest expenses was mainly due to a 149.9% increase in interest expenses on obligations with the public, largely as a result of the greater volume and price of term

deposits. See “Financial Condition - Liabilities” below and “Risk Factors - Risks Relating to the Group and its Business - Market Risks - Interest Rate Risk.”

For additional information with respect to the Bank’s interest expense, including with respect to the size of and yield paid on Sol- and foreign currency-denominated liabilities, see “Selected Statistical and Other Information - Distribution of Assets, Liabilities and Stockholders’ Equity; Interest Rates and Interest Differential - Average Balance Sheet and Interest Data” and “-Net Changes in Interest Income and Expense - Volume and Rate Analysis.” In addition, certain information on the interest rates paid by the Group on its interest-bearing liabilities can be found in “Selected Statistical and Other Information – Funds Borrowed and Certain Other Liabilities” below.

Provisions for direct loans, net of recoveries

Asset quality remains an ongoing concern of Peruvian banks, including the Bank, given potential risks to economic growth, high inflation, interest rate volatility and Perú’s financial condition. See “Risk Factors - Risks Relating to Perú – Economic Conditions - Peruvian Economy” and “Risk Factors – Risks Relating to the Group and its Business – Credit Risks.”

The following table sets out the components of the Group’s provisions for direct loans, net of recoveries, during each of the indicated years (as noted above, provisions for indirect loans are included in a different category called measurement of assets and provisions, which is discussed separately below):

	2021	2022	2023
		<i>(Soles thousands)</i>	
Provisions for loan losses	(2,260,664)	(2,382,251)	(3,635,074)
Recovery of provisions for loan losses	1,460,773	1,371,455	1,644,837
Income from recovery of loan portfolio.....	14,317	13,541	22,088
Recovery of provisions for country risk	32,883	12,643	4,666
Total.....	(752,691)	(984,612)	(1,963,483)

The 99.4% increase in provisions for loan losses, net of recoveries in 2023 was mainly a result of increases due to higher risk in consumer loans as a result of the political uncertainty during the first months of the year, weather events and economic deceleration in the last part of the year. The impact of these events was heightened by the increasing share of consumer credits in the Group’s loan portfolio. In 2022, the 30.8% increase in provisions for loan losses, net of recoveries was principally due to the larger overdue portfolio generated by defaults in payment on the Group’s portfolio of loans made under the guaranteed Reactiva Perú program (noting that, though subject to such guarantee, the guarantee only applies after a loan has been past due for 90 days and thus, until such time, such loans are treated as all other loans for purposes of provisioning).

The following table presents the impact of provisions for loan losses, net of recoveries as reflected in the Group’s statement of income:

	2021	2022	2023
		<i>(Soles thousands)</i>	
Balance at the beginning of the year	(4,419,103)	(4,658,162)	(4,662,538)
Additions debited to profit or loss	(2,260,664)	(2,382,251)	(3,635,074)
Recovery of provisions	1,460,773	1,371,455	1,644,837
Write-off	184,458	448,669	780,134
Sale of loan portfolio	399,621	430,517	878,499
Exchange difference, net.....	(63,910)	71,531	18,202
Waiver	40,663	55,703	77,385
Total.....	(4,658,162)	(4,662,538)	(4,898,555)

The Group’s nominal NPLs as of December 31, 2023 were S/3,536,302 thousand, a 10.3% increase from S/3,207,132 thousand as of December 31, 2022, itself a 15.4% increase from S/2,778,677 thousand as of December 31, 2021. The Group’s NPL ratio increased to 4.72% as of December 31, 2023 from 4.38% as of December 31, 2022, which itself had increased from 3.73% as of December 31, 2021.

The Group's rescheduled loans amounted to S/3,620,031 thousand as of December 31, 2023, decreasing by 19.8% from S/4,516,370 thousand as of December 31, 2022, which itself had declined 24.1% from S/5,954,040 thousand as of December 31, 2021. These declines reflect payments from loans guaranteed under the Reactiva Perú program, which more than offset new reschedulings made within the framework of regulatory incentives (including to address the impacts of the COVID-19 pandemic, social unrest and emergencies).

Loans categorized as either being with potential problems or substandard amounted to S/2,552,171 thousand and S/1,403,383 thousand, respectively, as of December 31, 2023, S/2,382,750 thousand and S/1,117,219 thousand, respectively, as of December 31, 2022 and S/2,602,306 thousand and S/1,153,049 thousand, respectively, as of December 31, 2021. These categories thus remained fairly stable over 2022 and 2023.

Loans categorized as either doubtful or loss amounted to S/1,756,633 thousand and S/2,647,638 thousand, respectively, as of December 31, 2023, S/1,263,460 thousand and S/2,513,211 thousand, respectively, as of December 31, 2022 and S/1,231,574 thousand and S/2,336,542 thousand, respectively, as of December 31, 2021. The increases in 2022 and 2023 were largely due to the higher volume of loans that had deteriorated in their classification (*e.g.*, from the "substandard" classification to "doubtful"). The increase in NPLs is principally the result of the uncertain political conditions and low GDP growth, which has had a negative impact on counterparties' ability to make payments on their obligations.

For further information on provisions for loan losses, net of recoveries, see note 7 of the Consolidated Annual Financial Statements as of and for the year ended December 31, 2023.

Other Components of Profit for the Period before Income Tax

Income from Financial Services, Net

The Group earns income from financial services (*i.e.*, fee and commission income) on both capital-intensive products (such as origination fees on cash loans and fees for credit cards, letters of credit and guarantees) and non-capital-intensive products (such as charges for account maintenance and money transfer fees). The principal drivers for income from financial services are the payment systems, transaction fees and loan products.

In 2023, the Group's income from financial services increased by 9.1% from 2022 due to strong performance in the retail segment (particularly for credit cards and insurance products), maintenance of checking accounts charges and income from technical and legal studies. In 2022, the Group's income from financial services increased by 10.6% from 2021 due to improved performances from technical and legal studies and money transfer fees.

Expenses from financial services increased by 23.8% in 2022 and then further increased by 3.4% in 2023, both of which increases were primarily due to higher expenses in customer loyalty program, expenses for payment operations (including Visa, Mastercard and Plin), financial product sponsors and transfers.

The following table sets out the categories of the Group's income and expenses from financial services (identified by the principal business lines of the Group) and their respective amounts during the indicated years:

	2021	2022	2023
	(Soles thousands)		
Income from financial services	1,419,156	1,569,016	1,712,461
Income from fees of credit cards	294,514	374,933	399,262
Income from indirect loans.....	246,878	263,715	288,101
Transfer fees.....	274,243	286,404	256,854
Income from fees for collections services	147,518	157,961	193,080
Income from online banking services for business.....	56,886	70,670	76,610
Income from services and maintenance of checking accounts	55,357	53,761	64,852
Income from technical and legal studies	18,409	12,351	29,542
Income from advisory services.....	16,093	25,551	19,845
Income from cash services	5,279	8,885	12,102
Income from trust and trust fees.....	1,469	1,220	1,372
Other income for services.....	302,510	313,565	370,841
Expenses from financial services	(545,759)	(675,609)	(698,791)
Expenses from operating with Visa, Mastercard and Plin.....	(141,082)	(164,612)	(197,561)
Customer loyalty program.....	(98,360)	(148,802)	(173,438)
Premiums to the Deposit Insurance Fund.....	(107,034)	(114,443)	(107,635)
Financial product sponsors.....	(44,019)	(73,220)	(87,684)
Transfers.....	(32,942)	(42,722)	(52,145)
Purchase of foreign currency - spot transaction	(12,309)	(9,615)	(11,492)
Government fund guarantee	(69,306)	(76,771)	(18,355)
Expenses of maintenance of checking accounts.....	(5,299)	(5,465)	(4,468)
Other expenses of services	(35,408)	(39,958)	(46,013)
Income from financial services, net.....	873,397	893,408	1,013,670

Profit or Loss from Financial Transactions

The Group's profit or loss from financial transactions includes gains and losses from trading activities, including foreign exchange differences, and derivative transactions. In 2023, the Group's profit or loss from financial transactions increased by 36.5% to S/846,939 thousand from S/620,496 thousand in 2022, which itself had decreased by 7.7% from S/672,388 thousand in 2021. The decline in 2022 was predominantly due to the cost of derivatives, which was partially offset by higher income from foreign exchange differences and positive variations in the Group's portfolio of securities categorized as investment at fair value through profit and loss and available-for-sale investments. The increase in 2023 was principally the result of improvement in the Group's derivatives position and operations and further positive valuation increases in its portfolio of securities categorized as investment at fair value through profit and loss and available-for-sale investments.

The following table sets out the categories of the Group's profit or loss from financial transactions during the indicated years:

	2021	2022	2023
	(Soles thousands)		
Foreign exchange differences	212,586	934,505	707,071
Income from interests in associates	10,106	7,846	(5,086)
Investments at fair value through profit or loss	(35,800)	3,944	35,353
Available-for-sale investments	(42,079)	823	(5,172)
Trading derivatives.....	525,563	(277,628)	23,192
Hedging derivatives.....	(36,675)	(91,939)	31,608
Other	38,687	42,945	59,973
Profit or loss from financial transactions.....	672,388	620,496	846,939

Derivatives. The Group's exposure to derivative transactions arises principally in connection with customer-dealing and funding activities. The Group also enters into certain derivatives transactions in order to hedge its currency, interest rate and other risks. The Group enters into derivatives transactions with domestic and foreign counterparties that it considers to be creditworthy (mostly with an investment grade rating) or, in most cases, that are fully secured.

In 2022 and 2023, customer demand for hedging instruments increased, which was the main reason behind the growth of the Group's derivatives volume. In addition to note 8 to the Consolidated Annual Financial Statements as of and for the year ended December 31, 2023, see "Selected Statistical and Other Information – Funds Borrowed and Certain other Liabilities - Derivative Transactions" for a breakdown of the Group's derivatives.

Governments in the United States, Europe and elsewhere have made or are expected to make changes in laws relating to derivatives transactions, including how they settle. The Bank's management does not anticipate that such changes will have a material adverse effect on its ability to obtain reasonably priced hedges for its currency, interest rate and other risks; *however*, the volatility in the markets in recent years has made certain derivatives more expensive than in previous years and such increased costs might make the Group's hedging operations less cost-effective.

Administrative Expenses

The Group's administrative expenses include business expenses such as salaries, benefits, advertisement and rent expenses. The Group's administrative expenses in 2023 increased by 15.3% to S/2,474,631 thousand from S/2,146,352 thousand in 2022, which itself had increased by 18.9% from S/1,805,002 thousand in 2021. The increases in 2022 and 2023 were predominantly due to higher fixed expenses and personnel costs (including those costs associated with new hires, salary reviews, transportation, uniforms and travel expenses) as well as increases in expenses for services received from third parties (including from licenses, equipment rentals, product distribution, marketing and digital sales, back-office and consulting).

The Group's management focuses closely on the Group's efficiency and (within the context of maintaining the quality of its services) seeks to decrease its efficiency ratio, which decreased to 38.11% in 2023 from 39.25% in 2022, which itself had decreased from 39.55% in 2021. These improvements were due to increases in financial income gross of 26.8% and 16.1%, respectively, in 2022 and 2023, which more than offset the 18.9% and 15.3%, respectively, increase in operating expenses.

The following table sets out the Group's administrative expenses by category during the indicated years:

	2021	2022	2023
		<i>(Soles thousands)</i>	
Personnel and board of directors expenses	928,619	1,024,888	1,125,848
Third party service expenses.....	823,743	1,071,086	1,296,488
Taxes and contributions.....	52,640	50,378	52,295
Total administrative expenses.....	1,805,002	2,146,352	2,474,631

The two largest administrative expenses, personnel and board of directors expenses and services received from third parties, are discussed in greater detail below.

Personnel and board of directors expenses. The Group's administrative expenses include personnel and board of directors expenses, which predominantly reflects salaries and wages that it pays to its employees. The personnel and board of directors expenses increased by 10.4% from S/928,619 thousand in 2021 to S/1,024,888 thousand in 2022, which was followed by an increase of 9.9% to S/1,125,848 thousand in 2023. The total number of the Group's employees was 6,291, 6,888 and 7,486, respectively, as of December 31, 2021, 2022 and 2023. These increases in the Group's personnel and board of directors expenses resulted mainly from the increase in the number of employees as well as higher salaries and wages resulting from inflation and incentive payments.

Third party services expenses. The Group's administrative expenses include the expenses incurred in purchasing goods and services from third parties, such as office products and legal and accounting services. The expenses for services received from third parties increased by 30.0% from S/823,743 thousand in 2021 to S/1,071,086 thousand in 2022, which was followed by an increase of 21.0% to S/1,296,488 thousand in 2023. These increases resulted mainly from costs for licenses, rentals, maintenance, surveillance, back-office, advertising campaigns, digital sales and consulting, each of which was impacted by inflation.

Measurement of Assets and Provisions

The Group's measurement of assets and provisions (which includes provisions for indirect credits, other provisions, impairment of investments and assets) increased by 51.7% to S/189,104 thousand in 2023 from S/124,661 thousand in 2022, which in turn had declined by 26.2% from S/168,985 thousand in 2021. The increase in 2023 was predominantly due to increases in other provisions while the decline in 2022 primarily resulted from reductions in the provisions for litigation.

Other Income and Expenses, Net

The Group's other income and expenses, net primarily include income tax recovery from previous years, reversal of tax provisions, lawsuits and others, profit on sale of non-current assets held for sale, realizable, received in payment and seized assets, loss in cards, administrative and fiscal sanctions, donations made and other income and expenses. In 2023, these increased by 428.5% to S/74,027 thousand from S/14,006 thousand in 2022, which itself had increased by 129.6% from negative S/10,805 thousand in 2021.

Income Tax

The Group is subject to Peruvian income and other taxes, with taxation and duties other than on income being included in administrative expenses whereas taxation on income is applied to the period's profit before income tax in order to determine the Group's net profit. Income tax charges for 2023 totaled S/559,826 thousand, which was a 25.7% decrease from S/753,863 thousand in 2022, itself a 9.0% increase from S/691,722 thousand in 2021.

The Group's effective tax rate (calculated based upon its reported taxation charge *divided by* its profit before taxes) was 30.7%, 28.2% and 23.0% for 2021, 2022 and 2023, respectively. In both 2022 and 2023, the changes were primarily due to the impact of tax-exempt items in the Group's revenues and expenses. For more information on the Group's taxation, see note 23 in the Consolidated Annual Financial Statements as of and for the year ended December 31, 2023.

Financial Position

The following summary balance sheet data for each of the indicated dates have been extracted from the Consolidated Annual Financial Statements and should be read in conjunction with the Consolidated Annual Financial Statements (including the notes therein).

As of December 31						
	2021	% of Total	2022	% of Total	2023	% of Total
<i>Assets</i>						
						(Soles thousands, except for percentages)
Cash and due from banks	16,295,026	16.1%	12,145,003	12.4%	9,431,609	9.0%
Interbank funds	-	-	-	-	17,009	0.0%
Investments at fair value through profit and loss and available-for-sale investments.....	9,760,611	9.6%	11,591,723	11.8%	15,148,595	14.5%
Loan portfolio, net ⁽¹⁾	70,433,581	69.4%	69,122,387	70.5%	70,647,238	67.7%
Trading derivatives	1,767,732	1.7%	1,349,619	1.4%	1,237,496	1.2%
Hedging derivatives	75,805	0.1%	3,659	0.0%	-	-
Realizable, received in payment and seized assets	43,916	0.0%	67,873	0.1%	118,776	0.1%
Non-current assets held for sale	85,870	0.1%	86,007	0.1%	94,162	0.1%
Interest in associates	12,999	0.0%	12,148	0.0%	5,734	0.1%
Property, furniture and equipment, net	1,071,479	1.1%	1,077,726	1.1%	1,192,939	1.1%
Deferred tax	710,091	0.7%	774,048	0.8%	786,862	0.8%
Other assets, net	1,238,645	1.2%	1,815,253	1.8%	5,643,382	5.4%
Total assets	101,495,755	100.0%	98,045,446	100.0%	104,323,802	100.0%
<i>Liabilities</i>						
Obligations with the public and deposits from financial institutions.....	64,088,148	63.1%	66,901,546	68.2%	70,726,777	67.8%
Interbank funds	-	-	-	-	378,451	0.4%
Debts and financial obligations.....	6,840,555	6.7%	4,036,978	4.1%	5,907,327	5.7%
Trading derivatives	1,572,020	1.5%	1,245,843	1.3%	1,076,972	1.0%
Hedging derivatives	35,059	0.0%	103,628	0.1%	93,486	0.1%
Accounts payable, provisions and other liabilities.....	18,791,244	18.5%	14,504,077	14.8%	13,771,121	13.2%
Total liabilities	91,327,026	90.0%	86,792,072	88.5%	91,954,134	88.1%
Equity	10,168,729	10.0%	11,253,374	11.5%	12,369,668	11.9%
Total equity and liabilities	101,495,755	100.0%	98,045,446	100.0%	104,323,802	100.0%

(1) Net of deferred interest on discount and leasing receivables plus accrued interest from performing loans, and after deducting provisions for loan losses.

The following summarizes the Group's assets, liabilities and equity as extracted from the Consolidated Annual Financial Statements.

Assets

The Group's total assets as of December 31, 2023 were S/104,323,802 thousand, an increase of 6.4% from S/98,045,446 thousand as of December 31, 2022, itself a decrease of 3.4% from S/101,495,755 thousand as of December 31, 2021. Cash and due from banks represented only 16.1%, 12.4% and 9.0% of the Group's total assets as of December 31, 2021, 2022 and 2023, respectively, as most of the Group's funds are invested in interest-earning assets. The following describes the two largest components of the Group's assets: its loan portfolio, net, which represented 69.4%, 70.5% and 67.7% of the Group's total assets as of December 31, 2021, 2022 and 2023, respectively, and its securities portfolio (referred to as its investment at fair value through profit or loss and available-for-sale investments), which represented 9.6%, 11.8% and 14.5% of the Group's total assets as of December 31, 2021, 2022 and 2023, respectively.

Loan Portfolio, Net. The Group's loan portfolio, net amounted to S/70,647,238 thousand as of December 31, 2023, an increase of 2.2% from S/69,122,387 thousand as of December 31, 2022, itself a decrease of 1.9% from S/70,433,581 thousand as of December 31, 2021. The following table summarizes the Group's loans as of the indicated dates by sector:

	As of December 31					
	2021	% of Total	2022	% of Total	2023	% of Total
	(Soles thousands, except for percentages)					
Mortgage and consumer loans.....	22,176,089	29.7%	24,767,302	33.8%	27,765,630	37.1%
Commerce	15,027,845	20.2%	13,889,067	19.0%	12,907,348	17.2%
Manufacture	11,572,507	15.5%	10,691,306	14.6%	10,306,904	13.8%
Transportation, storage and communications ...	6,658,443	8.9%	6,299,939	8.6%	7,313,152	9.8%
Real estate, business and rental companies	4,070,870	5.5%	3,809,945	5.2%	3,745,360	5.0%
Agriculture and livestock	2,727,454	3.7%	3,144,823	4.3%	2,803,778	3.7%
Mining	2,201,883	3.0%	1,136,403	1.6%	1,466,553	2.0%
Financial intermediation.....	1,811,720	2.4%	2,278,990	3.1%	2,335,228	3.1%
Electricity, gas and water companies	1,793,180	2.4%	1,233,808	1.7%	788,699	1.1%
Hotels and restaurants	1,723,099	2.3%	1,623,101	2.2%	1,469,431	2.0%
Construction	1,477,262	2.0%	1,063,506	1.5%	950,420	1.3%
Others	3,309,234	4.4%	3,249,767	4.4%	3,046,908	4.1%
Total loans	74,549,586	100.0%	73,187,957	100.0%	74,899,411	100.0%
Accrued returns on current loans.....	641,441		683,399		746,092	
Deferred interest.....	(99,284)		(86,431)		(99,710)	
Allowance for expected credit losses	(4,658,162)		(4,662,538)		(4,898,555)	
Loan portfolio, net	70,433,581		69,122,387		70,647,238	
NPLs.....	2,778,677		3,207,132		3,536,302	
Refinanced loans.....	2,164,622		1,672,801		1,856,072	

The following table summarizes the Group's loan portfolio as of the indicated dates by type of borrower:

	As of December 31					
	2021	% of Total	2022	% of Total	2023	% of Total
	(Soles thousands, except for percentages)					
Medium-sized entities loans	20,135,035	27.0%	17,614,995	24.1%	15,319,759	20.5%
Mortgage loans	14,383,976	19.3%	14,613,415	20.0%	15,379,908	20.5%
Large-business loans entities	12,862,938	17.3%	12,737,814	17.4%	12,524,795	16.7%
Corporate loans	13,861,115	18.6%	11,963,605	16.3%	13,135,920	17.5%
Consumer loans	7,792,114	10.5%	10,153,888	13.9%	12,385,722	16.5%
Small-business loans entities	2,860,981	3.8%	3,785,178	5.2%	3,969,382	5.3%
Micro- businesses	2,653,427	3.6%	2,319,062	3.2%	2,183,925	2.9%
Loan portfolio, gross	74,549,586	100.0%	73,187,957	100.0%	74,899,411	100.0%
Reactiva Perú loans	11,510,752	15.5%	5,800,884	7.9%	1,900,056	2.5%

In 2022, the decline in the Group's loan portfolio, net was principally driven by the amortizations of loans made under the Reactiva Perú program, which more than offset increases in retail (particularly for consumption and credit cards) and business loans (particularly for trade finance and working capital loans). In 2023, increases in the loans in the retail and business segments more than offset the amortizations of loans made under the Reactiva Perú program. During 2023, retail lending was strong in mortgages (with increases in both traditional and sustainable housing), consumption and credit cards, while the business segment experienced initial SME growth before cooling in the last months of the year as a result of the higher risk environment. As of the date of this Offering Memorandum, the Bank's management expects that the growth rate of the Group's loans will be limited in 2024 compared to 2023 due to continued uncertainty about the political environment as well as high interest rates.

As of December 31, 2023, the Group's NPLs increased by 10.3% to S/3,536,302 thousand from S/3,207,132 thousand as of December 31, 2022, itself a 15.4% increase from S/2,778,677 thousand as of December 31, 2021. In 2022, NPLs increased as a result of the ending of the SBS' temporary relief for recognition of NPLs granted during the COVID-19 pandemic and maturities of government aid programs such as Reactiva Perú. In 2023, the increase in NPLs was largely the result of the deterioration of the political and climate environment in Perú and an economic recession in the second half of the year. As of

December 31, 2021, 2022 and 2023, provisions representing 167.64%, 145.38% and 138.52%, respectively, of the amount of total NPLs had been set aside.

The Group's NPL ratio was 3.73%, 4.38% and 4.72% as of December 31, 2021, 2022 and 2023, respectively.

For additional information on the Group's and the Bank's loan portfolio, including NPLs and related provisions, see note 7 in the Consolidated Annual Financial Statements as of and for the year ended December 31, 2023 and "Selected Statistical and Other Information-Distribution of Assets, Liabilities and Stockholders' Equity; Interest Rates and Interest Differential - Average Balance Sheet and Interest Data" and "-Loan Portfolio - Types of Loans" and "-Allowance for Credit Losses."

Investment at Fair Value through Profit or Loss and Available-for-Sale Investments. Investment securities, principally Peruvian government securities, have historically represented a significant portion of the Group's assets. As of December 31, 2021, 2022 and 2023, the Group's investment at fair value through profit or loss and available-for-sale investments represented 9.6%, 11.8% and 14.5%, respectively, of the Group's total assets (the Group did not hold any investments held-to-maturity as of any of such dates). In 2022, the 18.8% increase was primarily due to a 47.6% increase in securities available-for-sale as a result of increased holdings of Peruvian government bonds and U.S. Treasury bills, which more than offset a decrease in certificate of deposits with the Central Bank. In 2023, the 30.7% increase was primarily due to a 29.5% increase in securities available-for-sale due to increased holdings of Peruvian government bonds and U.S. Treasury bills. The following table provides information as to the breakdown of the Group's investment securities portfolio (including shares, which are categorized as available-for-sale on the balance sheet) as of the indicated dates:

	As of December 31					
	2021	% of Total	2022	% of Total	2023	% of Total
(Soles thousands, except for percentages)						
Investments at fair value through profit or loss						
Certificates of deposit with BCRP.....	3,738,906	38.3%	2,691,234	23.2%	2,837,641	18.7%
Peruvian public Treasury bonds	390,675	4.0%	587,625	5.1%	1,549,360	10.2%
U.S. treasury bills.....	-	-	-	-	391	0.0%
Total investment at fair value through profit or loss.....	4,129,581	42.31	3,278,859	28.3%	4,387,392	29.0%
Available-for-sale investments						
U.S. Treasury bills	1,035,644	10.6%	3,647,756	31.5%	6,118,544	40.4%
Peruvian public Treasury bonds	1,807,890	18.5%	2,982,141	25.7%	4,078,272	26.9%
Certificates of deposit with BCRP.....	2,613,849	26.8%	1,582,695	13.7%	540,394	3.6%
Corporate bonds	109,789	1.1%	68,512	0.6%	-	-
Shares of local and foreign companies	33,844	0.3%	31,760	0.3%	23,993	0.2%
Mutual funds	30,014	0.3%	-	-	-	-
Total investment available-for-sale.....	5,631,030	57.7%	8,312,864	71.7%	10,761,203	71.0%
Total.....	9,760,611	100.0%	11,591,723	100.0%	15,148,595	100.0%

Securities issued by the Peruvian government represented 45.3%, 39.4% and 30.5% of the Group's securities portfolio (excluding trading securities) as of December 31, 2021, 2022 and 2023, respectively.

As of December 31, 2022, the Group's investments at fair value through profit or loss decreased by 20.6% to S/3,278,859 thousand from S/4,129,581 thousand as of December 31, 2021; however, it then increased by 33.8% to S/4,387,392 thousand as of December 31, 2023. As of December 31, 2022, total available-for-sale investments increased by 47.6% to S/8,312,864 thousand from S/5,631,030 thousand as of December 31, 2021 and then further increased by 29.5% in 2023 to S/10,761,203 thousand as of December 31, 2023.

Pursuant to Peruvian market practice, the Group pledges securities to acquire funding under security repurchase agreements. The Group utilizes such funding depending upon the difference in rates paid on deposits compared to Central Bank rates, which vary based upon market conditions as well as Central Bank policy. The fair value of securities so pledged amounted to S/630,196 thousand as of December 31, 2021, S/203,677 thousand as of December 31, 2022 and S/304,537 thousand as of December 31, 2023, comprising 6.46%, 1.76% and 2.01%, respectively, of the Group's total securities portfolio.

For additional information on the Group's and the Bank's investment securities portfolio, see note 6 in the Consolidated Annual Financial Statements as of and for the year ended December 31, 2023 and "Selected Statistical and Other Information – Investments in Debt Securities."

Liabilities

The Group's total liabilities as of December 31, 2023 were S/91,954,134 thousand, an increase of 5.9% from S/86,792,072 thousand as of December 31, 2022, which itself was a decrease of 5.0% from S/91,327,026 thousand as of December 31, 2021. The following summarizes the three principal categories of the Group's liabilities – deposits and similar obligations (referred to as obligations with the public and deposits from financial institutions), debts and financial obligations and accounts payable, provisions and other liabilities.

Obligations with the Public and Deposits from Financial Institutions. Deposits, principally short-term and demand, have been and are expected to continue to be the most important source of funding for the Group. The Group's deposits and obligations with the public and deposits from financial institutions (including accrued interest expense) amounted to S/70,726,777 thousand as of December 31, 2023, an increase of 5.7% from S/66,901,546 thousand as of December 31, 2022, itself an increase of 4.4% from S/64,088,148 thousand as of December 31, 2021. Foreign currency total deposits (principally U.S. dollars) represented 41.5%, 40.6% and 37.4% of the Group's total deposits as of December 31, 2021, 2022 and 2023, respectively. For additional information on the Group's and the Bank's deposits, see note 12 in the Consolidated Annual Financial Statements as of and for the year ended December 31, 2023 and "Selected Statistical and Other Information - Deposits."

The following table summarizes the Bank's deposits as of the indicated dates:

	As of December 31					
	2021		2022		2023	
	<i>(Soles thousands, except percentages)</i>					
Retail	30,943,889	49.0%	31,722,882	48.0%	32,349,604	46.4%
Enterprises	32,270,108	51.0%	34,424,840	52.0%	37,325,942	53.6%
Total.....	63,213,997	100.0%	66,147,723	100.0%	69,675,545	100.0%

Debts and Financial Obligations. Debts and financial obligations, which are primarily loans borrowed by the Group (including from private foreign financial institutions, developmental finance institutions and Corporación Financiera de Desarrollo – COFIDE) and debt securities issued by the Group, amounted to S/5,907,327 thousand as of December 31, 2023, comprising 6.4% of the Group's total liabilities as compared to 4.7% as of December 31, 2022 (S/4,036,978 thousand) and 7.5% as of December 31, 2021 (S/6,840,555 thousand). The share of the outstanding balances of such transactions in the Group's balance sheet changes depending upon the relative costs of funding in the market.

The 41.0% reduction in debts and financial obligations in 2022 resulted primarily from the maturity of a US\$500 million senior bond, loans and local securities, which more than offset a new US\$60 million facility provided by IFC. In 2023, debts and financial obligations increased by 46.3%, including due to the Bank obtaining a US\$150 million loan from IFC, a US\$180 million loan from China Development Bank and US\$210 million of short-term trade loan obligations.

It is important to note that a portion of these liabilities (either when incurred or as a result of aging) are themselves short-term (as of December 31, 2021, 2022 and 2023, 44.85%, 15.00% and 16.18%, respectively, had a remaining term-to-maturity of one year or less). For additional information on the Group's and the Bank's debt and financial obligations, see note 13 in the Consolidated Annual Financial Statements as of and for the year ended December 31, 2023 and "Selected Statistical and Other Information – Funds Borrowed and Certain Other Liabilities."

Accounts Payable, Provisions and other Liabilities. Accounts payable, provisions and other liabilities are primarily comprised of obligations under repurchase agreements with the Central Bank, accounts payable to suppliers and transactions in progress. These amounts totaled S/13,771,121 thousand as of December 31, 2023, constituting 15.0% of the Group's total liabilities as compared to 16.7% as of December 31, 2022 (S/14,504,077 thousand) and 20.5% as of December 31, 2021 (S/18,791,244 thousand).

Equity

The Group's total equity amounted to S/12,369,668 thousand as of December 31, 2023, an increase of 9.9% from S/11,253,374 thousand as of December 31, 2022, itself an increase of 10.7% from S/10,168,729 thousand as of December 31, 2021. Equity principally changes as a result of the Group's net profit and changes in the amount of valuation differences of marketable securities (which changes are not included in income). The following table summarizes the components of the Group's equity as of the indicated dates:

	As of December 31		
	2021	2022	2023
	<i>(Soles thousands)</i>		
Share capital.....	6,758,467	7,382,184	8,147,211
Legal Reserve	1,896,680	2,053,490	2,245,122
Unrealized results	(32,704)	(91,052)	107,413
Retained earnings.....	1,546,286	1,908,752	1,869,922
Total equity.....	10,168,729	11,253,374	12,369,668

For additional information on the Group's equity, see note 15 in the Consolidated Annual Financial Statements as of and for the year ended December 31, 2023. In addition, see "Capital Adequacy" below.

Off-Balance Sheet Contingent Risk (Indirect Loans) and Commitments

In the normal course of business in order to meet the needs of its customers, the Group enters into certain off-balance sheet transactions. These transactions expose the Group to credit risk that is not reflected on the Group's balance sheet. The Group applies to these transactions the same credit policies in making commitments and assuming conditional obligations as it does for on-balance sheet transactions, including the requirement to obtain collateral when it is considered necessary.

The most significant category of such transactions includes letters of guarantee, letters of credit and other support that the Group provides to its import and export customers, as well as off-balance sheet exposure for the Group's commitments to make loans to its borrowers, and other transactions. For detailed information on the Group's off-balance sheet contingent risk and commitments, see note 16 in the Consolidated Annual Financial Statements as of and for the year ended December 31, 2023. The following table summarizes the Group's exposure under the principal categories of its off-balance sheet exposures as of the indicated dates:

	2021	2022	2023
	<i>(Soles thousands)</i>		
Guarantees and letters of guarantee	15,570,107	16,603,204	17,387,246
Letters of credit and banker's acceptances.....	1,411,387	1,309,834	1,054,247
Total indirect loans.....	16,981,494	17,913,038	18,441,493
Unused credit lines and undisbursed loans granted...	15,308,712	18,320,926	18,545,229
Various responsibilities	6,379	6,102	5,935
Total commitments.....	15,315,091	18,327,028	18,551,164
Total contingent and commitments.....	32,296,585	36,240,066	36,992,657

The following summarizes indirect loans and commitments.

Indirect Loans. As part of its normal banking operations, the Group issues (or confirms) letters of credit and issues guarantee letters and acceptance credits. Most of these are issued (or confirmed) in connection with the export and trade finance-related activities of the Group's customers. Letters of guarantee, letters of credit, acceptance credits and other guarantees make up the Group's indirect loans, which amounted to S/18,441,493 thousand as of December 31, 2023, an increase of 3.0% from S/17,913,038 thousand as of December 31, 2022, itself an increase of 5.5% from S/16,981,494 thousand as of December 31, 2021. In both 2022 and 2023, the increase was primarily the result of increases in the letters of guarantee provided by the Bank in connection with trade-related transactions.

The Group generates significant amounts of fees from these transactions while incurring a very small amount of credit losses thereon as almost all of these transactions expire without any need for payment by the Group (for example, a letter of credit that expires when the related buyer of goods makes its payment to the seller).

Commitments. The Group's commitments totaled S/18,551,164 thousand as of December 31, 2023, an increase of 1.2% from S/18,327,028 thousand as of December 31, 2022, itself an increase of 19.7% from S/15,315,091 thousand as of December 31, 2021. Among other items, these include unfunded commitments to borrowers under credit facilities and lines of credit available to credit cardholders, with the total increasing over 2022 and 2023 due largely to continued growth in the Group's customer-facing businesses.

Capital Adequacy

The Bank is required to comply with capital adequacy guidelines set forth in the Peruvian Banking Law and regulations promulgated by the SBS, which are based upon the standards established by the Bank for International Settlements. These guidelines require banks to maintain adequate levels of regulatory capital against risk-bearing assets and off-balance sheet exposures.

The Bank's regulatory capital adequacy ratios are in excess of the regulatory minimums required and recommended levels, including those required under the Peruvian Banking Law. The Bank's total capital ratios were 14.13%, 13.96% and 15.59%, respectively, as of December 31, 2021, 2022 and 2023. The Bank maintains a tier 1 capital ratio in excess of the regulatory minimums, with the CET1 regulatory capital adequacy ratio being 10.25%, 10.39% and 12.33%, respectively, as of December 31, 2021, 2022 and 2023. The increase in the CET1 ratio (and thus also the total capital ratio) in 2023 is in large part attributed to the implementation of changes to Peruvian regulations to attain alignment with Basel III, including the incorporation of earnings in the capital measurement and deductions for intangibles, unrealized gains/losses from available-for-sale investments. See "Supervision and Regulation – Basel III - Capital Adequacy Requirements."

Should the Tender Offer and/or the potential early redemption of the Existing Tier II Notes result in a full cancellation/repayment of the Existing Tier II Notes, then the capital adequacy ratios (on a *pro forma* basis as if the issuance of the Notes and the cancellation/repayment of the Existing Tier II Notes had both occurred on December 31, 2023) as of December 31, 2023 would have been unchanged.

The following table sets forth the calculation of the Bank's capital adequacy ratios as of each of the indicated dates:

	As of December 31		
	2021	2022	2023
	<i>(Soles millions, except percentages)</i>		
Common tier 1 capital.....	8,648	9,587	11,798
Additional tier 1 capital	-	-	-
Tier II regulatory capital	3,271	3,298	3,114
Total capital	11,919	12,885	14,912
Value at credit risk	76,317	84,224	85,739
Value at market risk	1,987	1,426	2,584
Value at operational risk	6,024	6,646	7,345
Contingent asset and liabilities weighted by credit risk, market risk and operational risk.....	84,328	92,296	95,668
CET1 ratio ⁽¹⁾	10.25%	10.39%	12.33%
Total capital ratio ⁽¹⁾	14.13%	13.96%	15.59%

(1) The increase in the CET1 ratio (and thus also the total capital ratio) in 2023 is in large part attributed to the implementation of changes to Peruvian regulations to attain alignment with Basel III, including the incorporation of earnings in the capital measurement and deductions for intangibles, unrealized gains/losses from available-for-sale investments. See "Supervision and Regulation – Basel III - Capital Adequacy Requirements."

In accordance with the Peruvian Banking Law, the Bank calculates its capital adequacy ratio under Basel III regulations.

The Bank's capital ratios for 2021, 2022 and 2023 reflect: (a) a 0% risk weight to foreign exchange reserves required to be held with the Central Bank and (b) the 0% risk weight provided under Basel III to Sol-denominated securities issued by the Peruvian government.

In September 2014, the Bank issued the Existing Tier II Notes. See "Use of Proceeds" and "Capitalization of the Group."

Liquidity and Funding

The Group manages its assets and liabilities to seek to ensure that it has sufficient liquidity to meet its present and future financial obligations and that it is able to take advantage of appropriate business opportunities as they arise. Liquidity risk represents the potential for loss as a result of limitations on the Group's ability to adjust future cash flows to meet the needs of depositors and borrowers and to fund operations on a timely and cost-effective basis. Financial obligations arise from withdrawals of deposits, repurchase transactions, extensions of loans or other forms of credit and the Group's own working capital needs.

The ability to maintain or replace interest-bearing deposits is a key factor in determining liquidity requirements, as well as the exposure to interest and exchange rate risks. The Group's principal sources of funding are short-term and demand deposits and the Group has developed a diversified and stable deposit base in each of its retail, commercial, corporate and SME business lines. As of the date of this Offering Memorandum, the Bank's management believes that funds from the Group's deposit-taking operations generally will continue to meet its liquidity needs for the foreseeable future; *however*, maturities of large borrowings or securities offerings do from time to time require the Group to have sufficient liquidity on hand, which does require the Group to closely monitor market conditions for potential opportunities to obtain replacement financing on a cost-effective basis. The Group's loans-to-deposits ratio was 109.90%, 103.32% and 99.89%, respectively, as of December 31, 2021, 2022 and 2023. For additional information on deposits, see "Selected Statistical and Other Information - Deposits."

As of December 31, 2021, the Group's long-term non-deposit funding from international debt capital markets was 3.5% of its total liabilities, which then decreased to 1.2% as of December 31, 2022 as a result of the maturity of senior notes. As of December 31, 2023, there was a small increase in total liabilities but the ratio remained at 1.2%.

To a lesser extent, the Group also funds its operations through short-term and long-term borrowings, eurobond issuances and other domestic and international transactions. The Bank uses the relationships that it develops with its correspondent banks in connection with international payment and trade-related finance activities to raise funds from the syndicated loan markets. The Bank has also capitalized on its ability to generate foreign currency-denominated payments from abroad (such as diversified payment rights) by tapping international capital markets through "future flow" transactions. See "Selected Statistical and Other Information – Funds Borrowed and Certain Other Liabilities."

The Bank is subject to the SBS' regulations on the measurement of the liquidity adequacy of a bank. The Regulation on Liquidity Risk Management (in Spanish: *Reglamento para la Gestión del Riesgo de Liquidez*) (SBS Resolution No. 4221-2023) was published in order to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets that can be converted into cash to meet its liquidity needs for a 30-calendar day period. According to this regulation, the liquidity coverage ratio (in Spanish: *ratio de cobertura de liquidez*) of banks is not permitted to fall below: (a) 80% on a local currency-only basis, (b) 100% on a foreign currency-only basis and (c) 100% on the total liquidity coverage ratio. See "Supervision and Regulation – Basel III - Capital Adequacy Requirements." The Bank's average weekly and monthly liquidity ratios for Soles and foreign currency during the indicated years are shown below:

	2021	2022	2023
Average weekly Peruvian Sol liquidity ratio	40.51%	29.85%	27.06%
Average monthly Peruvian Sol liquidity ratio.....	41.41%	29.89%	26.40%
Average weekly foreign currency liquidity ratio.....	50.21%	49.47%	48.52%
Average monthly foreign currency liquidity ratio.....	47.76%	48.31%	47.47%

In addition, pursuant to SBS Resolution No. 4221-2023, banks will be required to calculate a net stable funding ratio starting in December 2024.

In addition to the liquidity ratios described above, the Bank is also required to maintain deposits with the Central Bank against a minimum reserve requirement. These reserve deposits are calculated on the basis of Sol and foreign currency liabilities taken at the rates determined by the Central Bank.

As of the date of this Offering Memorandum, the Bank's management believes that funds from the Group's deposit-taking operations generally will continue to meet its liquidity needs for the foreseeable future.

SELECTED STATISTICAL AND OTHER INFORMATION

The following tables present certain selected statistical and other information for the Group as of the indicated dates and for the indicated periods. Except as specifically noted herein, the selected statistical and other information should be read in conjunction with the information contained in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the Consolidated Annual Financial Statements (including the notes therein).

As of December 31, 2023, the Bank’s total assets represented 99.61% of the Group’s total assets before eliminations and the Bank’s total liabilities represented 99.83% of the Group’s total liabilities before eliminations.

Except for certain limited information below that has been extracted from the Consolidated Annual Financial Statements (for information on the Group) or the Unconsolidated Annual Financial Statements (for information on the Bank), the information in this section is derived from the Bank’s internal management information system, mostly based upon its accounting records.

I. Distribution of Assets, Liabilities and Stockholders’ Equity; Interest Rates and Interest Differential

A. Average Balance Sheet and Interest Data

The following tables set out the average balances of assets and liabilities, and the interest earned or expensed on such amounts, of the Bank for the indicated years. For purposes of the following tables, the average for each year is calculated as the average of the month-end balance for such year (with such balances in foreign currency being converted into Soles using the applicable exchange rate published by the SBS as of December 31 of the applicable year). If these balances had been calculated on a “weighted average” or “daily” basis, or used an exchange rate from a different date, then differences might have resulted, which differences might be material.

	2021			2022			2023		
	Average Balance	Average Yield	Interest Income	Average Balance	Average Yield	Interest Income	Average Balance	Average Yield	Interest Income
(Soles thousands, except percentages)									
ASSETS									
Average interest-earning assets									
Deposits with Central Bank.....	13,681,460	0.22%	29,456	7,786,681	2.02%	157,443	7,845,908	5.31%	416,752
<i>Soles</i>	6,487,592	0.44%	28,531	1,142,336	1.68%	19,182	787,263	4.12%	32,436
<i>Foreign currency</i>	7,193,868	0.01%	925	6,644,345	2.08%	138,261	7,058,645	5.44%	384,316
Deposits in other banks.....	3,196,306	0.05%	1,502	4,749,767	0.32%	14,977	3,286,980	1.52%	50,085
<i>Soles</i>	136,284	0.40%	539	267,942	2.42%	6,495	242,685	5.56%	13,487
<i>Foreign currency</i>	3,060,022	0.03%	963	4,481,825	0.19%	8,482	3,044,295	1.20%	36,598
Investment securities ⁽¹⁾	10,872,513	1.22%	132,434	9,865,141	4.47%	440,501	10,382,723	5.68%	589,430
<i>Soles</i>	8,683,551	1.39%	120,383	8,127,100	5.19%	421,895	8,464,421	6.44%	545,311
<i>Foreign currency</i>	2,188,962	0.55%	12,051	1,738,041	1.07%	18,606	1,918,302	2.30%	44,119
Total loans ⁽²⁾	72,860,931	5.48%	3,989,521	73,651,779	6.80%	5,007,330	73,115,469	8.91%	6,514,425
<i>Soles</i>	54,258,330	5.87%	3,187,601	54,331,031	7.49%	4,070,567	53,433,276	9.62%	5,140,423
<i>Foreign currency</i>	18,602,601	4.31%	801,920	19,320,748	4.85%	936,763	19,682,193	6.98%	1,374,002
Total for average interest-earning assets	100,611,210	4.13%	4,152,913	96,053,368	5.85%	5,620,251	94,631,080	8.00%	7,570,692
<i>Soles</i>	69,565,757	4.80%	3,337,054	63,868,409	7.07%	4,518,139	62,927,645	9.11%	5,731,657
<i>Foreign currency</i>	31,045,453	2.63%	815,859	32,184,959	3.42%	1,102,112	31,703,435	5.80%	1,839,035
Average non-interest-earning assets									
Cash and clearings.....	3,915,509			3,392,706			3,337,255		
<i>Soles</i>	1,878,605			2,182,857			2,207,753		
<i>Foreign currency</i>	2,036,904			1,209,849			1,129,502		
Allowance for loan losses.....	(4,764,960)			(4,621,882)			(4,787,478)		
<i>Soles</i>	(3,462,484)			(3,119,201)			(3,491,419)		
<i>Foreign currency</i>	(1,302,476)			(1,502,681)			(1,296,059)		
Premises and equipment.....	996,996			1,041,485			1,076,634		
<i>Soles</i>	996,996			1,041,485			1,076,634		
<i>Foreign currency</i>	-			-			-		
Other non-interest-earning assets.....	5,993,679			5,931,388			6,440,629		
<i>Soles</i>	5,016,423			4,783,657			5,095,338		
<i>Foreign currency</i>	977,256			1,147,731			1,345,291		
Total for average non-interest-earning assets	6,141,224			5,743,697			6,067,040		
<i>Soles</i>	4,429,540			4,888,798			4,888,306		
<i>Foreign currency</i>	1,711,684			854,899			1,178,734		
Average total assets	106,752,434	3.89%	4,152,913	101,797,065	5.52%	5,620,251	100,698,120	7.52%	7,570,692
<i>Soles</i>	73,995,297	4.51%	3,337,054	68,757,207	6.57%	4,518,139	67,815,951	8.45%	5,731,657
<i>Foreign currency</i>	32,757,137	2.49%	815,859	33,039,858	3.34%	1,102,112	32,882,169	5.59%	1,839,035

(1) Includes available-for-sale and at fair value through profit and loss investments.

(2) Includes loans past due but not accrued but unpaid interest, which is included within other non-interest earning assets.

	2021			2022			2023		
	Average Balance	Average Rate	Interest Expense	Average Balance	Average Rate	Interest Expense	Average Balance	Average Rate	Interest Expense
<i>(Soles thousands, except percentages)</i>									
LIABILITIES									
Average interest-bearing liabilities									
Demand deposits	26,662,469	0.04%	10,381	23,159,642	0.21%	48,240	21,809,529	1.02%	223,298
<i>Soles</i>	14,218,751	0.05%	6,853	11,988,051	0.34%	41,013	12,606,765	1.49%	188,460
<i>Foreign currency</i>	12,443,718	0.03%	3,528	11,171,591	0.06%	7,227	9,202,764	0.38%	34,838
Savings accounts	26,747,230	0.08%	20,805	26,415,326	0.40%	104,977	22,413,880	0.57%	127,670
<i>Soles</i>	17,585,710	0.10%	17,223	16,866,740	0.59%	100,235	14,465,693	0.75%	107,868
<i>Foreign currency</i>	9,161,520	0.04%	3,582	9,548,586	0.05%	4,742	7,948,187	0.25%	19,802
Time deposits	13,017,399	0.94%	122,052	15,260,177	3.10%	473,813	22,235,283	5.47%	1,216,170
<i>Soles</i>	7,440,279	1.05%	77,840	8,888,622	4.21%	374,591	12,689,999	6.70%	849,990
<i>Foreign currency</i>	5,577,120	0.79%	44,212	6,371,555	1.56%	99,222	9,545,284	3.84%	366,180
Repurchase agreements	16,541,965	0.57%	95,084	13,097,388	0.89%	116,181	8,744,319	1.94%	169,887
<i>Soles</i>	15,372,710	0.58%	89,200	13,081,380	0.89%	116,035	8,744,319		169,887
<i>Foreign currency</i>	1,169,255	0.50%	5,884	16,008	0.91%	146	-	-	-
Deposits from financial institutions, interbank funds and debts and financial obligations	8,721,524	4.09%	356,500	7,074,695	4.90%	346,587	6,843,243	5.49%	375,634
<i>Soles</i>	2,674,017	4.40%	117,756	2,713,900	5.31%	144,185	3,100,971	5.71%	176,980
<i>Foreign currency</i>	6,047,507	3.95%	238,744	4,360,795	4.64%	202,402	3,742,272	5.31%	198,654
Total for average interest-bearing liabilities	91,690,587	0.66%	604,822	85,007,228	1.28%	1,089,798	82,046,254	2.57%	2,112,659
<i>Soles</i>	57,291,467	0.54%	308,872	53,538,693	1.45%	776,059	51,607,747	2.89%	1,493,185
<i>Foreign currency</i>	34,399,120	0.86%	295,950	31,468,535	1.00%	313,739	30,438,507	2.04%	619,474
Average non-interest-bearing liabilities									
Other liabilities	5,489,876			6,284,506			7,047,752		
<i>Soles</i>	4,311,356			4,662,249			5,262,737		
<i>Foreign currency</i>	1,178,520			1,622,257			1,785,015		
Average equity	9,571,971			10,505,331			11,604,114		
<i>Soles</i>	9,566,048			10,538,781			11,656,894		
<i>Foreign currency</i>	5,923			(33,450)			(52,780)		
Average total liabilities and equity	106,752,434	0.57%	604,822	101,797,065	1.07%	1,089,798	100,698,120	2.10%	2,112,659
<i>Soles</i>	71,168,871	0.43%	308,872	68,739,723	1.13%	776,059	68,527,378	2.18%	1,493,185
<i>Foreign currency</i>	35,583,563	0.83%	295,950	33,057,342	0.95%	313,739	32,170,742	1.93%	619,474

The following table shows the gross yield and yield spread for the Bank for each of the indicated years.

	2021	2022	2023
Gross yield	4.13%	5.85%	8.00%
<i>Soles</i>	4.80%	7.07%	9.11%
<i>Foreign currency</i>	2.63%	3.42%	5.80%
Yield spread	3.47%	4.57%	5.43%
<i>Soles</i>	4.26%	5.62%	6.21%
<i>Foreign currency</i>	1.77%	2.43%	3.77%

B. Net Changes in Interest Income and Expense – Volume and Rate Analysis

The following table provides a comparative analysis of net changes in the Bank's interest earned and interest expensed by reference to changes in average volume and rates for the years indicated. Changes in net interest income (referred to as gross financial margin in the Financial Statements) are attributed either to changes in average balances (volume change) or changes in average rates (rate changes) for interest-earning assets and sources of funds on which interest is earned or expensed. Volume change is calculated as the change in volume multiplied by the current rate, while the rate change is calculated as the change in rate multiplied by the previous volume. For purpose of the following tables, NPLs have been treated as non-interest-earning assets.

	2023/2022		
	Increase (decrease) due to changes in		
	Volume	Rate	Net Change
	(Soles thousands)		
Interest income			
Deposits in Central Bank	7,928	251,381	259,309
<i>Soles</i>	(14,629)	27,883	13,254
<i>Foreign currency</i>	22,557	223,498	246,055
Deposits in other banks.....	(18,686)	53,794	35,108
<i>Soles</i>	(1,404)	8,396	6,992
<i>Foreign currency</i>	(17,282)	45,398	28,116
Investments at fair value through profit or loss and available-for-sale investments	25,878	123,051	148,929
<i>Soles</i>	21,732	101,684	123,416
<i>Foreign currency</i>	4,146	21,367	25,513
Direct loan portfolio	(61,134)	1,568,229	1,507,095
<i>Soles</i>	(86,366)	1,156,222	1,069,856
<i>Foreign currency</i>	25,232	412,007	437,239
Total interest income	(46,014)	1,996,455	1,950,441
<i>Soles</i>	(80,667)	1,294,185	1,213,518
<i>Foreign currency</i>	34,653	702,270	736,923
Interest expense			
Demand deposits	1,796	173,262	175,058
<i>Soles</i>	9,249	138,198	147,447
<i>Foreign currency</i>	(7,453)	35,064	27,611
Savings accounts	(21,891)	44,584	22,693
<i>Soles</i>	(17,904)	25,537	7,633
<i>Foreign currency</i>	(3,987)	19,047	15,060
Time deposits.....	376,372	365,985	742,357
<i>Soles</i>	254,620	220,779	475,399
<i>Foreign currency</i>	121,752	145,206	266,958
Repurchase agreements	(84,262)	137,968	53,706
<i>Soles</i>	(84,262)	138,114	53,852
<i>Foreign currency</i>	-	(146)	(146)
Deposits from financial institutions, interbank funds and debts and financial obligations	(10,743)	39,790	29,047
<i>Soles</i>	22,091	10,704	32,795
<i>Foreign currency</i>	(32,834)	29,086	(3,748)
Total interest expenses	261,272	761,589	1,022,861
<i>Soles</i>	183,794	533,332	717,126
<i>Foreign currency</i>	77,478	228,257	305,735
Net change in gross financial margin	(307,286)	1,234,866	927,580

	2022/2021		
	Increase (decrease) due to changes in		
	Volume	Rate	Net Change
	(Soles thousands)		
Interest income			
Deposits in Central Bank	(101,192)	229,179	127,987
<i>Soles</i>	(89,757)	80,408	(9,349)
<i>Foreign currency</i>	(11,435)	148,771	137,336
Deposits in other banks.....	5,882	7,593	13,475
<i>Soles</i>	3,191	2,765	5,956
<i>Foreign currency</i>	2,691	4,828	7,519
Investments at fair value through profit or loss and available-for-sale investments	(33,714)	341,781	308,067
<i>Soles</i>	(28,887)	330,399	301,512
<i>Foreign currency</i>	(4,827)	11,382	6,555
Direct loan portfolio	40,266	977,543	1,017,809
<i>Soles</i>	5,447	877,519	882,966
<i>Foreign currency</i>	34,819	100,024	134,843
Total interest income	(88,758)	1,556,096	1,467,338
<i>Soles</i>	(110,006)	1,291,091	1,181,085
<i>Foreign currency</i>	21,248	265,005	286,253
Interest expense			
Demand deposits	(8,455)	46,314	37,859
<i>Soles</i>	(7,632)	41,792	34,160
<i>Foreign currency</i>	(823)	4,522	3,699
Savings accounts	(4,081)	88,253	84,172
<i>Soles</i>	(4,273)	87,285	83,012
<i>Foreign currency</i>	192	968	1,160
Time deposits.....	73,408	278,353	351,761
<i>Soles</i>	61,037	235,714	296,751
<i>Foreign currency</i>	12,371	42,639	55,010
Repurchase agreements	(30,843)	51,940	21,097
<i>Soles</i>	(20,325)	47,160	26,835
<i>Foreign currency</i>	(10,518)	4,780	(5,738)
Deposits from financial institutions, interbank funds and debts and financial obligations	(76,168)	66,255	(9,913)
<i>Soles</i>	2,119	24,310	26,429
<i>Foreign currency</i>	(78,287)	41,945	(36,342)
Total interest expenses	(46,139)	531,115	484,976
<i>Soles</i>	30,926	436,261	467,187
<i>Foreign currency</i>	(77,065)	94,854	17,789
Net change in gross financial margin	(42,619)	1,024,981	982,362

II. Investments in Debt Securities (at fair value through profit or loss and available-for-sale investments)

The Group's securities portfolio comprises investments at fair value through profit or loss and available-for-sales investments. The Bank primarily holds Peruvian government securities, which are held primarily as a liquidity buffer. The Group also enters into purchases (or sales) of securities under agreements to resell (or repurchase) substantially identical investments at a certain date in the future at a fixed price (*i.e.*, "repos"). Securities sold under repurchase agreements continue to be recognized in the balance sheet and are measured in accordance with the accounting policy for the related securities portfolio as appropriate.

As of December 31, 2023, the size of the Group's aggregate investment portfolio (including fair value through profit and loss and available-for-sale debt securities as well as certain shares) increased by 30.68% to S/15,148,595 thousand from S/11,591,723 thousand as of December 31, 2022, itself an 18.76% increase from S/9,760,611 thousand as of December 31,

2021. In both 2022 and 2023, the share of the investment portfolio in the Group's total assets increased due to increases in U.S. Treasury bills and Peruvian government securities, both of which the Group acquired more of due to the general increase in fixed income interest rates and the Central Bank's higher monetary policy rate.

Pursuant to market practice, the Group pledges securities to acquire funding under security repurchase agreements. The securities so pledged amounted to S/630,196 thousand, S/203,677 thousand and S/304,537 thousand, respectively, as of December 31, 2021, 2022 and 2023, comprising 6.46%, 1.76% and 2.01%, respectively, of the Group's securities portfolio on such dates. Such securities are included in the tables in this section.

A. Book Value of Investments

The following table sets out a breakdown of securities (on a book-value basis, thus representing the fair value at each reporting date) held by the Group as of the indicated dates:

	As of December 31		
	2021	2022	2023
		(Soles thousands)	
Investments at fair value through profit or loss	4,129,581	3,278,859	4,387,392
Certificates of deposit with BCRP	3,738,906	2,691,234	2,837,641
Peruvian public Treasury bonds	390,675	587,625	1,549,360
U.S. Treasury bills	-	-	391
Available-for-sale investments	5,631,030	8,312,864	10,761,203
Debt Securities	5,567,172	8,281,104	10,737,210
Peruvian public Treasury bonds	1,807,890	2,982,141	4,078,272
U.S. Treasury bills	1,035,644	3,647,756	6,118,544
Certificates of deposit with BCRP	2,613,849	1,582,695	540,394
Corporate bonds	109,789	68,512	-
Shares	63,858	31,760	23,993
Shares of local and foreign companies	33,844	31,760	23,993
Mutual funds	30,014	-	-
Total	9,760,611	11,591,723	15,148,595

The following table sets out the Group's total consolidated investment securities portfolio in Soles and in foreign currencies as of the indicated dates:

	As of December 31		
	2021	2022	2023
		(Soles thousands)	
Soles-denominated securities	8,157,799	7,661,493	8,808,336
Foreign currency-denominated securities	1,602,812	3,930,230	6,340,259
Total	9,760,611	11,591,723	15,148,595

Investments at Fair Value through Profit or Loss

As of December 31, 2023, the size of the Bank's investments at fair value through profit or loss increased by 33.81% to S/4,387,392 thousand from S/3,278,859 thousand as of December 31, 2022, itself a decrease of 20.60% from S/4,129,581 thousand as of December 31, 2021. The decrease in 2022 was principally due to a declining portfolio of certificates of deposit issued by the Central Bank due to the fact that the liquidity of the financial system had already returned to historical average levels after the injection of liquidity provided by the government during the COVID-19 pandemic, such as under the Reactiva Perú program, which more than offset an increase in Peruvian government bonds resulting from the Bank's willingness to increase the duration of its portfolio. The increase in 2023 was primarily the result of increases in the holdings of both such types of securities due to the Bank's strategy to reallocate part of its portfolio from short-terms securities to long-term securities. The Group's portfolio of investments at fair value through profit or loss entirely comprises Peruvian government debt. See

“Management’s Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies – Fair Value of Financial Instruments.”

Investments at fair value through profit or loss are debt securities that the Group principally holds for the purpose of short-term profit taking. After initial recognition, securities that are classified as investments at fair value through profit or loss are measured at estimated fair value. Changes in the estimated fair value of these securities are included in the statement of income within profit or loss from financial transactions. In determining their estimated fair value, investments at fair value through profit or loss are valued at the last trade price (if quoted on an exchange) or the last bid price (if traded over the counter). When market prices are not available or if liquidating a position would reasonably be expected to affect market prices, fair value is determined by reference to price quotations for similar instruments traded in different markets or management’s estimates of the amounts that can be realized.

Available-for-Sale Investments

Other debt securities held by the Group are considered available-for-sale investments. As of December 31, 2023, the size of the Group’s portfolio of available-for-sale investments increased by 29.66% to S/10,737,210 thousand from S/8,281,104 thousand as of December 31, 2022, which itself had increased by 48.75% from S/5,567,173 thousand as of December 31, 2021. In each of 2022 and 2023, the increase was due to the acquisition of U.S. Treasury bills and in Peruvian government securities due to the Group’s strategy of maintaining its year-end excess liquidity in the highest quality assets for each currency. Excluding the year-end effect of the additional allocation of high-quality paper from the year-end surplus, the portfolio had little movement, explained by an increase in the portfolio of Peruvian government bonds with the objective of increasing duration.

B. Maturities of Investments

The following table sets out the maturities of the Group’s securities portfolio as of December 31, 2023.

	1 year or less	After 1 year through 5 years	After 5 years	Total
		<i>(Soles thousands)</i>		
Investments at fair value through profit or loss	4,387,392	-	-	4,387,392
Available-for-sale investments	10,203,770	220,087	337,346	10,761,203
Total.....	14,591,162	220,087	337,346	15,148,595

III. Loan Portfolio

The Group’s gross loan portfolio including loans to banks amounted to S/74,899,411 thousand as of December 31, 2023, increasing by 2.34% from S/73,187,957 thousand as of December 31, 2022, which itself decreased by 1.83% from S/74,549,586 thousand as of December 31, 2021. As discussed below, there are several important characteristics of the Group’s loan portfolio, including diversification based upon sector, type of borrower, maturity, currency, geography and size.

Loans to Customers

Loans to customers (without including loans to financial institutions) represent the largest component of the Group’s assets. As of December 31, 2023, the Group’s total gross direct loans to customers totaled S/73,865,839 thousand, which represented 70.80% of the Group’s total assets, compared to S/72,379,067 thousand (73.82% of the Group’s total assets) as of December 31, 2022 and S/73,956,433 thousand (72.87% of the Group’s total assets) as of December 31, 2021. The Group’s portfolio of total direct loans to customers decreased by 2.13% in 2022 and then increased by 2.05% in 2023. In 2022, the decline was principally driven by the amortization of loans made under the Reactiva Perú program, which more than offset increases in retail (particularly for consumption and credit cards) and business loans (particularly for trade finance and working capital loans). In 2023, increases in the retail and business segments more than offset the amortization of loans made under the Reactiva Perú program. During 2023, retail lending was strong in mortgages (with increases in both traditional and sustainable housing), consumption and credit cards, while the business segment experienced initial SME growth before cooling in the last months of the year as a result of the higher risk environment.

The average interest rate that the Group charged to borrowers in 2023 was 8.91% calculated on the basis of the average (calculated as the average of the amounts on each of the end of the preceding year and December 31 of such year) balances and interest rates (5.48% for 2021 and 6.80% for 2022).

The Group provides financing for various purposes, although the majority of loans are retail loans, commercial loans and loans for working capital purposes. As of December 31, 2023, the Group's loans with remaining maturities of less than one year, over one year but through five years and over five years composed 39.84%, 36.95% and 18.49%, respectively, of the Group's total direct loans.

Composition of Loan Portfolio by Currency

Foreign currency risk-bearing loans comprised 25.0%, 26.0% and 27.0%, respectively, of the Group's loan portfolio (of which U.S. dollar-denominated obligations were the most significant) as of December 31, 2021, 2022 and 2023.

The following table sets out an analysis by currency of the exposure of the Group's gross direct loan portfolio (with does not include interest and other accruals) as of the indicated dates:

	As of December 31					
	2021		2022		2023	
	(Soles thousands, except percentages)					
Soles.....	55,899,411	75.0%	54,145,269	74.0%	54,713,628	73.0%
Foreign currency	18,650,175	25.0%	19,042,688	26.0%	20,185,783	27.0%
Total.....	74,549,586	100.0%	73,187,957	100.0%	74,899,411	100.0%

In 2023, the amount of foreign exchange-denominated loans increased by 6.0% from 2022 in U.S. dollar terms primarily due to an increase in corporate loans (particularly for short-term loans) and business loans (primarily for long-term loans).

A. Types of Loans

The following table sets out the Group's direct loans by category as of the indicated dates:

	As of December 31		
	2021	2022	2023
	<i>(Soles thousands, except percentages)</i>		
Loans	32,444,769	27,672,810	26,845,471
Mortgage loans	13,600,490	13,959,809	14,768,114
Consumer loans.....	7,482,224	9,798,074	11,868,127
Foreign trade.....	4,894,668	6,010,104	5,797,177
Finance lease.....	3,463,072	3,180,799	3,259,775
Factoring.....	1,537,513	1,585,012	1,707,092
Project financing.....	1,649,807	1,372,565	1,109,191
Discounts	1,014,448	1,229,437	1,102,234
Others.....	3,519,296	3,499,414	3,049,856
Refinanced loans.....	2,164,622	1,672,801	1,856,072
Loans past due and loans under legal collection.....	2,778,677	3,207,132	3,536,302
Total direct loans	74,549,586	73,187,957	74,899,411
Loans past due and loans under legal collection.....	(2,778,677)	(3,207,132)	(3,536,302)
Total performing loans.....	71,770,909	69,980,825	71,363,109
Performing loans as a percentage of total direct loans...	96.3%	95.6%	95.3%

The classification of the loan portfolio as set forth in the table above is based upon the regulations of the SBS. Pursuant to the guidelines of the SBS, loans are categorized as follows:

Loans, Mortgage Loans and Consumer Loans: Loans and consumer loans include basic term loans documented by promissory notes and other extensions of credit, such as consumer loans in various forms (including credit cards) and trade finance loans, among others. Mortgage loans are loans for acquisition, construction, refurbishment, remodeling, expansion, improvement and sub-division of an owner's home backed by a duly constituted mortgage.

Foreign Trade: Foreign trade comprises loans to importers and exporters on specialized terms adapted to the needs of the international trade transaction.

Finance Lease: Finance leases involve the Bank's acquisition of an asset and the leasing of that asset to a client of the Bank.

Factoring: Factoring comprises the sale of title of a company's accounts receivables to a bank (or financial company). The receivables are sold without recourse, and the bank cannot recover from the seller if the accounts are uncollectible. Under factoring loans, the seller receives funds from the bank prior to the average maturity date based upon the invoice amount of the receivable, less cash discounts and allowances for estimated claims and returns, among other items.

Project Financing: Project financing comprises any financing of all or part of the costs of the acquisition, construction or development of any project if the entities providing such financing expressly agree to limit their recourse to the project financed and the revenues derived from such project as the principal source of repayment for the funds advanced.

Discounts: Discounts refers to loans that are discounted at origination. Discounted loans also include discounting of drafts, where the Bank makes a loan supported by a draft signed by one party and discounted by another party, with recourse to both parties.

Refinanced Loans: Refinanced loans are loans with changes in their payment schedules due to payment difficulties. Under SBS regulations, refinanced loans constitute loans with respect to which the debtor is experiencing payment problems.

Loans Past Due and Loans under Legal Collection: Loans past due include overdue loans categorized according to SBS regulations and accounts under legal collection are in the judiciary collection process. This amount excludes amounts included in "Refinanced."

Loans by Economic Activity

The following table sets out the breakdown of the Bank's loan portfolio by economic activity as of each of the indicated dates (which information does not include accrued interest).

	As of December 31					
	2021		2022		2023	
	Amount	%	Amount	%	Amount	%
	<i>(Soles thousands, except percentages)</i>					
Mortgage and consumer loans.....	22,176,089	29.7%	24,767,302	33.8%	27,765,630	37.1%
Commerce	15,027,845	20.2%	13,889,067	19.0%	12,907,348	17.2%
Manufacture	11,572,507	15.5%	10,691,306	14.6%	10,306,904	13.8%
Transport, storage and communications.....	6,658,443	8.9%	6,299,939	8.6%	7,313,152	9.8%
Real estate, business and rental companies	4,070,870	5.5%	3,809,945	5.2%	3,745,360	5.0%
Agriculture and livestock	2,727,454	3.7%	3,144,823	4.3%	2,803,778	3.7%
Mining.....	2,201,883	3.0%	1,136,403	1.6%	1,466,553	2.0%
Financial intermediation.....	1,811,720	2.4%	2,278,990	3.1%	2,335,228	3.1%
Electricity, gas and water companies	1,793,180	2.4%	1,233,808	1.7%	788,699	1.1%
Hotels and restaurants	1,723,099	2.3%	1,623,101	2.2%	1,469,431	2.0%
Construction	1,477,262	2.0%	1,063,506	1.5%	950,420	1.3%
Others	3,309,234	4.4%	3,249,767	4.4%	3,046,908	4.1%
Total.....	74,549,586	100.0%	73,187,957	100.0%	74,899,411	100.0%

B. Maturities of Loans and Sensitivity to Changes in Interest Rate

The following table sets out certain information relating to the remaining maturity and interest rate profile of the Bank's performing loan portfolio (based upon scheduled repayments) as of December 31, 2023.

	<u>1 year or less⁽¹⁾</u>	<u>After 1 year through 5 years</u>	<u>After 5 years through 15 years</u>	<u>After 15 years</u>	<u>Total</u>
	<i>(Soles thousands)</i>				
Performing loans	33,671,880	24,146,228	11,135,614	2,358,867	71,312,588
Fixed interest rates	33,604,624	23,982,735	11,121,705	2,358,867	71,067,931
Floating interest rates	67,256	163,493	13,909	-	244,658

(1) Includes demand loans, loans having no stated schedule of repayment and no stated maturity and overdrafts.

In line with its lending strategy, the Bank concentrates its maturities in the short term (less than one year); however, as of December 31, 2023, 33.9% of the total loan amount was for loans with remaining tenors from over one year to up to five years, which portfolio includes loans to SMEs and consumer loans (primarily vehicle loans). Loans with maturities over five years include mortgages and project financings.

C. Loan Portfolio Risk Classification

The following table sets out the breakdown of the Group's loan portfolio by risk classification as of the indicated dates (which information does not include accrued interest).

	<u>As of December 31</u>					
	<u>2021</u>		<u>2022</u>		<u>2023</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Risk classification level	<i>(Soles thousands, except percentages)</i>					
A. Normal	67,126,831	90.2%	65,824,886	90.0%	66,439,876	88.8%
B. With potential problems	2,602,306	3.5%	2,382,750	3.3%	2,552,171	3.4%
C. Substandard	1,153,049	1.5%	1,117,219	1.5%	1,403,383	1.9%
D. Doubtful	1,231,574	1.7%	1,263,460	1.7%	1,756,633	2.3%
E. Loss	2,336,542	3.1%	2,513,211	3.5%	2,647,638	3.6%
Total	74,450,302	100.0%	73,101,526	100.0%	74,799,701	100.0%
Deferred interest	99,284		86,431		99,710	
Total	74,549,586		73,187,957		74,899,411	

IV. Allowance for Credit Losses

The Bank's credit monitoring department provides monthly reports to the Board detailing all aspects of its credit activity, including the number of new problem loans, the status of existing NPLs and collections. The Bank's senior management monitors the timeliness of debt repayments and classified loans and contingent liabilities. Prompt action is taken by the appropriate departments having responsibility for supervising and monitoring loan repayments if any principal or accrued interest repayment problems arise. Any overall deterioration in the quality of the Group's loan portfolio or increased exposure relating to off-balance sheet contingent liabilities is brought to the attention of the Board.

The determination of whether a repayment problem has arisen is based upon a number of objective and subjective criteria, including changes to the borrower's turnover in accounts held by the Group, changes to the borrower's economic and financial activity giving rise to the suspicion that a loan is not being used for its original purpose, applications to change credit terms, failure of the borrower to fulfill the terms and conditions of its loan agreement and refusal of a borrower to cooperate in supplying current information.

Each of the Group and the Bank classifies its loan portfolio in its Financial Statements in accordance with SBS regulations that provide that the calculation of impairment of financial instruments shall be made on an expected credit loss basis.

When a loan is placed on non-performing status, interest income ceases to accrue. An NPL is restored to accrual status when all arrears have been paid and it is considered likely that the customer will continue timely performance.

The Group's NPLs amounted to S/2,778,677 thousand, S/3,207,132 thousand and S/3,536,302 thousand as of December 31, 2021, 2022 and 2023, respectively. As of such dates, the Group's: (a) provisions for loan losses as a percentage of total gross direct loans were 6.25%, 6.37% and 6.54%, respectively, (b) the NPL ratio was 3.73% and 4.38%, 4.72%, respectively, and (c) provisions for direct loan losses as a percentage of NPLs were 167.64% and 145.38% and 138.52%, respectively.

Analysis of the Allowance for Loan Losses

The following table sets forth an analysis of the movements of the provision for direct loan losses for the Group for each year indicated below:

	2021	2022	2023
	<i>(Soles thousands)</i>		
Balance at the beginning of the period.....	(4,419,103)	(4,658,162)	(4,662,538)
Additions debited to profit or loss	(2,260,664)	(2,382,251)	(3,635,074)
Recovery of provisions	1,460,773	1,371,455	1,644,837
Write-off and waiver.....	225,121	504,372	857,519
Sale of loan portfolio	399,621	430,517	878,499
Exchange difference, net	(63,910)	71,531	18,202
Provision for direct loan losses at the end of the period..	(4,658,162)	(4,662,538)	(4,898,555)

The following table sets out certain information relating to the Group's provisions for losses on direct loans and indirect loans as of the indicated dates:

	As of December 31		
	2021	2022	2023
	<i>(Soles thousands)</i>		
Provisions for direct loan losses	4,658,162	4,662,538	4,898,555
Provision for indirect loans	244,106	251,427	267,159
Total.....	4,902,268	4,913,965	5,165,714

The following table sets out certain information relating to the Bank's NPLs and related provisions as of the indicated dates with respect to direct loans:

	As of December 31								
	2021			2022			2023		
	(Soles thousands, except percentages)								
	NPLs	Total Provision	% Reserved	NPLs	Total Provision	% Reserved	NPLs	Total Provision	% Reserved
Risk Category									
Normal.....	31,716	188	1%	38,502	228	1%	41,160	390	1%
With potential problems.....	69,278	4,389	6%	138,912	5,507	4%	98,741	7,121	7%
Substandard.....	157,574	43,843	28%	199,523	65,393	33%	243,877	105,545	43%
Doubtful.....	461,214	219,835	48%	575,510	315,850	55%	796,047	515,569	65%
Loss.....	2,035,470	1,923,544	95%	2,246,007	2,030,854	90%	2,348,036	2,117,641	90%
Total loans classified	2.755.251	2.191.799	80%	3.198.454	2.417.832	76%	3.527.860	2.746.266	78%

Provisioning

In compliance with prevailing regulatory guidelines, the Bank adheres to a bifurcated provision model for its loan portfolio, encompassing both generic and specific provisions. The generic provisions are preemptively allocated to encompass direct and indirect loans categorized as standard, with an additional procyclical component triggered upon SBS recommendation. In addition, the Bank incorporates voluntary provisions into the general allowance, factoring in various

criteria such as debtor economic viability, historical performance and managerial discretion to anticipate potential losses within the high-risk loan segment. Periodically, the Bank communicates the voluntary provision status to the SBS.

On the other hand, specific provisions target direct loans and the corresponding credit risk exposure of indirect loans associated with debtors classified below the normal risk category. Provision requisites are tailored to each debtor's risk classification and nature and status of any collateral.

For additional information regarding provisioning for loan losses, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies – Provisions for Loan Losses."

V. Deposits

The Group's deposits consist of demand deposits (current accounts) and time deposits from customers and banks. Deposits from non-bank customers, which represent the principal source of funds for the Group's lending and investment activities, accounted for 69.2%, 76.1% and 75.3%, respectively, of the Group's total liabilities as of December 31, 2021, 2022 and 2023. Loans from banks excluding subordinated liabilities accounted for 0.8%, 0.2% and 1.7%, respectively, of the Group's total liabilities as of such dates. Other sources of funding include (*inter alia*) deposits from banks, obligations under repurchase agreements and, to a lesser extent, overnight bank deposits.

The following table sets out the Group's deposits and other sources of funding as of the indicated dates:

	As of December 31					
	2021		2022		2023	
	(Soles thousands, except percentages)					
Demand Deposits	24,887,037	38.8%	22,483,924	33.6%	22,733,172	32.1%
<i>Soles</i>	12,828,150	20.0%	12,418,125	18.6%	13,493,787	19.1%
<i>Foreign currency</i>	12,058,887	18.8%	10,065,799	15.0%	9,239,385	13.1%
Savings Accounts	28,493,043	44.5%	25,112,300	37.5%	22,741,991	32.2%
<i>Soles</i>	18,736,057	29.2%	16,370,249	24.5%	15,387,155	21.8%
<i>Foreign currency</i>	9,756,986	15.2%	8,742,051	13.1%	7,354,836	10.4%
Time Deposits	9,725,296	15.2%	18,222,052	27.2%	23,522,635	33.3%
<i>Soles</i>	5,350,067	8.3%	10,232,275	15.3%	13,981,062	19.8%
<i>Foreign currency</i>	4,375,229	6.8%	7,989,777	11.9%	9,541,573	13.5%
Deposits from financial institutions...	891,287	1.4%	847,794	1.3%	1,518,660	2.1%
<i>Soles</i>	538,324	0.8%	659,998	1.0%	1,286,682	1.8%
<i>Foreign currency</i>	352,963	0.6%	187,796	0.3%	231,978	0.3%
Other liabilities	91,485	0.1%	235,476	0.4%	210,319	0.3%
<i>Soles</i>	64,856	0.1%	88,928	0.1%	94,200	0.1%
<i>Foreign currency</i>	26,629	0.0%	146,548	0.2%	116,119	0.2%
Total	64,088,148	100.0%	66,901,546	100.0%	70,726,777	100.0%
<i>Soles</i>	37,517,454	58.5%	39,769,575	59.4%	44,242,886	62.6%
<i>Foreign currency</i>	26,570,694	41.5%	27,131,971	40.6%	26,483,891	37.4%

In 2022 and 2023, the currency of deposits has trended in favor of the Sol as a result of marketing campaigns offering higher interest rates, particularly in Soles, and lower expectations of currency devaluation.

In 2023, the average effective interest rates applied to customer deposits were 0.19% for U.S. dollars and 0.25% for Soles (0.41% and 1.37%, respectively, in 2022 and 1.58% and 2.88%, respectively, in 2021). For additional information on average rates paid on deposits, see I. (Distribution of Assets, Liabilities and Stockholders' Equity; Interest Rates and Interest Differential) above.

The following table sets out a summary of the deposit information for the Bank only as of the indicated dates:

	As of December 31					
	2021		2022		2023	
	<i>(Soles thousands, except percentages)</i>					
Demand Deposits	24,010,768	38.8%	21,737,121	32.9%	21,963,363	31.5%
Savings Accounts	28,493,017	45.1%	25,112,288	38.0%	22,741,999	32.6%
Time Deposits	9,606,859	15.2%	18,033,648	27.3%	23,113,797	33.2%
Deposits from financial institutions...	1,018,349	1.6%	1,036,465	1.6%	1,654,810	2.4%
Other liabilities	85,004	0.1%	228,201	0.3%	201,577	0.3%
Total	63,213,997	100.0%	66,147,723	100.0%	69,675,545	100.0%

VI. Funds Borrowed and Certain Other Liabilities (Debts and Financial Obligations)

Funds Borrowed

The following table sets out a breakdown of loans to the Group from banks outstanding as of the indicated dates by source, maturity profile and currency (including accrued interest):

	As of December 31		
	2021	2022	2023
	<i>(Soles thousands)</i>		
Short-term debts and financial obligations	31,649	50,796	851,139
<i>Soles</i>	31,361	42,886	62,100
<i>Foreign currency</i>	288	7,910	789,039
Long-term debts and financial obligations (short-term portion)	3,036,544	556,685	104,798
<i>Soles</i>	375,087	323,511	55,552
<i>Foreign currency</i>	2,661,457	233,174	49,246
Long-term debts and financial obligations (medium and long-term portion)	3,772,362	3,429,497	4,951,390
<i>Soles</i>	1,226,126	1,106,320	1,297,609
<i>Foreign currency</i>	2,546,236	2,323,177	3,653,781
Total	6,840,555	4,036,978	5,907,327
<i>Soles</i>	1,632,574	1,472,717	1,415,261
<i>Foreign currency</i>	5,207,981	2,564,261	4,492,066

The following table sets out certain information as to the maturity profile of the Group's debts and financial obligations outstanding (including accrued interest) as of the indicated dates:

	As of December 31		
	2021	2022	2023
	<i>(Soles thousands)</i>		
Maturity Date:			
Within one year	3,068,193	607,481	955,937
One to five years	1,617,808	401,736	1,414,799
Over five years	2,154,554	3,027,761	3,536,591
Total	6,840,555	4,036,978	5,907,327

The following tables set out a description of the Group's material senior foreign currency borrowings (or fund-raising through "future flow" transactions) (including accrued interest payable) as of the indicated dates (short-term being one year or less) (with many of the indicated interest rates being based upon a floating rate, principally USD SOFR (though each applicable such debt using its own definition of such benchmark rates), and thus re-set periodically).

As of December 31, 2023					
	Interest rate	Latest maturity	Amount in original currency	Short-term portion	Medium- and long-term portion
			(thousands)	(Soles thousands)	
BBVA	3.18%	2031	US\$200,000	-	741,800
China Development Bank.....	SOFR+1.37%	2026	US\$180,000	-	667,620
International Finance Corporation..	SOFR+1.65%	2029	US\$150,000	-	556,350
International Finance Corporation..	3.11%	2027	US\$60,000	-	222,540
ICO - Instituto de Crédito	SOFR+0.64%	2030	US\$54,381	-	201,699
ICO - Instituto de Crédito	SOFR+0.81%	2030	US\$29,915	-	110,955
Wells Fargo Bank	SOFR+0.68%	2024	US\$60,000	222,540	-
Caixa Bank	SOFR+0.51%	2024	US\$50,000	185,450	-
Bank of America.....	SOFR+0.70%	2024	US\$50,000	185,450	-
Corporación Andina de Fomento....	SOFR+0.55%	2024	US\$50,000	185,450	-
Total				778,890	2,500,964

As of December 31, 2022					
	Interest rate	Latest maturity	Amount in original currency	Short-term portion	Medium- and long-term portion
			(thousands)	(Soles thousands)	
BBVA	3.18%	2031	US\$200,000	-	765,720
International Finance Corporation	3.12%	2027	US\$60,000	-	228,840
Mizuho Corporate Bank.....	LIBOR+1.45%	2023	US\$50,000	190,700	-
Total				190,700	765,720

As of December 31, 2021					
	Interest rate	Latest maturity	Amount in original currency	Short-term portion	Medium- and long-term portion
			(thousands)	(Soles thousands)	
BBVA	3.18%	2031	US\$200,000	-	797,400
Mizuho Corporate Bank.....	LIBOR+1.45%	2023	US\$50,000	-	199,350
ICO - Instituto de Crédito	LIBOR+0.52%	2022	US\$35,000	139,544	-
Wells Fargo Bank	LIBOR+5.00%	2022	US\$5,000	19,935	-
Standard Chartered Bank	LIBOR+3.55%	2022	US\$2,857	11,391	-
Total				170,870	996,750

In addition to such foreign currency borrowings, the Bank from time to time issues debt instruments, primarily in Perú in Soles. The following table sets out a summary of such bonds outstanding as of the indicated dates:

	Original amount	Maturity	As of December 31		
			2021	2022	2023
	(thousands)			(Soles thousands)	
2nd issuance series A - 5th program ..	S/150,000	2026	150,000	150,000	150,000
2nd issuance series A - 7th Program..	S/100,000	2023	100,000	100,000	-
2nd issuance series B - 7th program ..	S/73,465	2023	73,465	73,465	-
2nd issuance series C - 7th program ..	S/96,550	2024	96,550	96,550	96,550
1st issuance series D - 7th program....	S/120,000	2022	120,000	-	-
1st issuance series E - 7th program....	S/65,520	2022	65,520	-	-
1st issuance series F - 7th program	S/150,000	2022	150,000	-	-
1st program of international issuance	US\$500,000	2022	2,012,231	-	-
Negotiable certificates of deposit.....	Various		172	41	-
Total.....			2,767,938	420,056	246,550

Many of the Group's financings include provisions permitting the applicable creditors to require the accelerated repayment of the applicable indebtedness, including as a result of a breach of a financial or other covenant or the occurrence of a change of control. The Group monitors its compliance with its obligations under its financing arrangements in order to seek to avoid any such acceleration.

As of the date of this Offering Memorandum, the Bank's management believes that the Bank's and the Group's liquidity is sufficient for its present requirements for at least the next 12 months after the date of this Offering Memorandum.

Repurchase Agreements

The Group's obligations arising from agreements for the repurchase/resale of securities and loans amounted to S/6,775,261 thousand as of December 31, 2023, which decreased by 35.5% from S/10,505,016 thousand as of December 31, 2022, which itself had decreased by 35.2% from S/16,217,008 thousand as of December 31, 2021. These obligations represented 7.4%, 12.1% and 17.8%, respectively, of the total liabilities of the Group as of such dates. The diminishing use of repurchase arrangements in each of 2022 and 2023 reflected the maturity of repurchase agreements related to the Reactiva Perú program.

As of December 31, 2023, the Group has repurchase agreements of the loan portfolio of the Reactiva Perú program for S/1,578,878 thousand with maturities until December 2025, repurchase agreements of rescheduled loans for S/4,898,181 thousand with maturities until September 2025 and short-term repurchase agreements of certificates of deposits with the Central Bank for S/298,201 thousand.

Subordinated Debts and Financial Obligations

In addition to the senior obligations noted above, the Bank from time to time issues subordinated bonds, including the Existing Tier II Notes. The following table sets out a summary of such debt outstanding as of the indicated dates:

			As of December 31		
	Original amount	Maturity	2021	2022	2023
	(thousands)			(Sole thousands)	
2nd issuance series A - 1st program...	US\$20,000	2027	79,507	-	-
3rd issuance series A - 1st program ...	S/55,000	2032	86,291	93,580	97,425
2nd issuance series A - 2nd program .	S/50,000	2032	76,827	83,317	86,740
3rd issuance series A - 2nd program ..	US\$20,000	2028	79,740	76,280	74,180
4th issuance series - 2nd program	S/45,000	2023	66,727	72,363	-
5th issuance series - 2nd program	S/50,000	2023	73,183	79,366	-
6th issuance series A - 2nd program ..	S/30,000	2033	43,153	46,799	48,722
1st issuance series - 3rd program	US\$45,000	2028	179,415	171,630	-
First Program of international Issuance I - Single issuance ⁽¹⁾	US\$300,000	2029	1,209,350	1,079,943	1,078,353
Total			1,894,193	1,703,278	1,385,420

(1) These are the Existing Tier II Notes.

Contingent Risks and Commitments

The Group enters into certain financial instruments with off-balance sheet risk in the normal course of business in order to meet the needs of its customers. These instruments, which include letters of guarantee, acceptance credits, letters of credit and other commitments and contingencies, involve varying degrees of credit risk and are not reflected in the Group's balance sheet. The Group's maximum exposure to credit losses for letters of guarantee and acceptance credits and letters of credit is represented by the contractual amount of these transactions. Since many of the commitments are expected to expire without being drawn upon, the total amount does not necessarily represent future cash requirements. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Off-Balance Sheet Commitments and Contingencies."

Trading and Hedging Derivatives

Forward foreign exchange contracts are agreements to purchase or sell a specific quantity of a foreign currency or precious metals at an agreed-upon price with delivery and settlement on a specified future date. Such contracts include only deliverable contracts. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movements in currency exchange rates.

As of December 31, 2023, the Group's outstanding derivative transactions (e.g., spots, forwards, swaps, future rate agreements, options and forward agreements for gold trading) amounted to S/68,390,690 thousand, compared to S/62,491,193 thousand as of December 31, 2022 and S/71,380,065 thousand as of December 31, 2021.

The following table sets out the breakdown of outstanding derivative contracts by type of transaction as of the indicated dates:

	As of December 31		
	2021	2022	2023
	<i>(Soles thousands)</i>		
Currency swaps:			
Purchases	-	-	-
Sales	-	-	-
Currency forwards:			
Purchases	8,621,353	6,356,000	8,127,152
Sales	16,041,458	15,371,720	19,242,616
Cross currency interest rate swaps:			
Purchases	15,797,778	12,949,942	15,148,920
Sales	5,606,933	4,039,311	3,859,836
Interest rate swaps:			
Purchases	24,288,224	22,902,573	19,993,950
Sales	-	-	-
Options:			
Purchases	270,382	418,897	405,627
Sales	270,382	418,897	405,627
Currency, interest rate and investment security options:			
Purchases	241,779	16,927	603,481
Sales	241,779	16,927	603,481
Futures:			
Purchases	-	-	-
Sales	-	-	-
Other:	-	-	-
Purchases	-	-	-
Sales	-	-	-
Total of purchases	49,219,515	42,644,338	44,279,130
Total of sales	22,160,551	19,846,854	24,111,559
Total of transactions	71,380,065	62,491,193	68,390,690

THE GROUP AND ITS BUSINESS

General

The Bank, which is present in every region of Perú, served more than 9.0 million customers in 2023. As of December 31, 2023, the Group was the second largest banking group in Perú in terms of assets, loans, equity, deposits and branches. As of such date, the Group had total assets of S/104,323,802 thousand, a loan portfolio net of S/70,647,238 thousand, total deposits and obligations with the public and deposits from financial institutions of S/70,726,777 thousand and total equity of S/12,369,668 thousand.

The banking sector in Perú is heavily concentrated among four dominant banks: the Bank, BCP, Scotiabank and Interbank. Together, these four banks had a collective market share of 83.40% of performing loans and 82.21% of deposits as of December 31, 2023, with the Bank alone representing 21.15% and 20.78%, respectively.

The Bank is a full-service financial institution providing, including through its subsidiaries, a wide variety of banking and financial products and services to individual and commercial customers in Perú. In addition to operating through the Bank's nationwide network of branches (325 as of December 31, 2023, the second largest branch network in the country as of such date), the Bank serves its customers through its ATMs (1,951 as of December 31, 2023) and digital banking services. The Bank places a significant focus on distributing its banking services efficiently and in a manner accessible to its customers, including through the use of telephone and digital banking services.

Through its wholly owned subsidiaries, the Bank offers specialized financial services to complement its banking activities, including brokerage services offered through BBVA Bolsa, asset management services offered through BBVA Asset Management and securitization services offered through BBVA Titulizadora.

For 2023, the Group's net profit was S/1,873,736 thousand, a decrease of 2.5% from S/1,921,759 thousand in 2022, itself an increase of 23.2% from S/1,560,500 thousand in 2021. In 2022, the increase was mainly due to a 25.7% increase in net financial margin, including due to a 34.3% increase in interest income resulting from the increase in the Group's portfolio of direct loans (which more than offset the decline in the investment portfolio) and increases in market interest rates. This increased interest income exceeded the increase in interest expenses, though those increased by 77.3% largely as a result of the repricing of deposits during an increasing interest rate environment (which more than offset the decline in debts and financial obligations). In 2023, the decline was primarily the result of significant increases in provisions for direct loans, net of recoveries, which increased by 99.4% due to the negative impact on retail and SME customers from the macroeconomic shocks associated with the political uncertainty during the first months of the year, weather events and economic deceleration in the last part of the year. The impact of these provisions more than offset the 16.1% increase in gross financial margin (itself reflecting a 32.2% increase in interest income and a 98.0% increase in interest expenses, both largely due to the higher interest rate environment in 2023).

The Bank's primary source of funding are retail deposits, which are much more cost-effective than wholesale funding or commercial deposits. As of December 31, 2023, total deposits, which consist of obligations to the public (*i.e.*, both retail and non-financial institution wholesale deposits) and deposits from financial system entities, represented 76.92% of the Group's total liabilities. The Bank has been able to complement funding from deposits with diversified funding from multilateral institutions and other foreign financial institutions as well as through the issuance of debt instruments in the domestic and international capital markets.

The Bank's total capital ratio as of December 31, 2023 was 15.59% as compared to the minimum 9.0% ratio required by Peruvian banking regulations as of such date. In addition, Peruvian financial institutions must meet additional capital requirements related to conservation, economic cycle and market concentration risk buffers as well as an additional capital requirement that depends upon certain levels of loan concentration in certain categories (individual, sectorial and geographical). Such requirements for the Bank totalled 2.13% as of December 31, 2023, thus increasing its regulatory requirement to 11.13%, thus still well below the Bank's total capital ratio. Furthermore, the Bank has a core equity (Tier I) ratio of 12.33% as of such date, again above the minimum regulatory requirement of 7.03%. In connection with the implementation of Basel III standards, the SBS has issued several regulations to increase gradually the minimum total capital ratio for Peruvian financial institutions until 2026. For more information, see "Supervision and Regulation – Basel III – Capital Adequacy Requirements."

The Bank's registered office is located at Av. República de Panamá No. 3055, San Isidro, Lima, Perú, telephone number (51) (1) 209-1000. The Bank's tax registration number is 20100130204.

Please see "Overview of the Offering – The Group -The Group's Corporate Structure" for a diagram of the Group.

History

General

The Bank was founded on August 20, 1951 by a group of private individuals to provide financial services in Perú, with the Bank initially being headquartered in the historic center of Lima. In 1964, Chase Manhattan Bank acquired 51.00% of the Bank's shares. In 1970, the Bank was nationalized by the Peruvian government, which became the majority shareholder by taking control of the shares held by Chase Manhattan Bank. In 1973, the BBVA Group acquired Banco de Progreso. In July 1975, the BBVA Group was required by government mandate to acquire the shares of Banco Nor-Perú as a result of the latter's financial difficulties.

In June 1980, the Bank moved to its current location in the district of San Isidro in Lima. In the early 1980s, the Bank made several acquisitions of other Peruvian banks, including Banco de los Andes in 1981, Banco Comercial del Perú in 1983 and Banco Amazónico (by government mandate) in 1986. In 1992, the Bank, along with several other Peruvian banks, underwent a privatization process as an initiative of the administration of then-President Alberto Fujimori. In May 1995, Holding Continental, formed by BBVA and Grupo Breca, purchased 60.00% of the Bank's shares. In 1998, the logo "BBV" was added to the Bank's logo and the Bank formed the subsidiaries Inmobiliaria Continental S.A. (now IRBSA) and Continental Titulizadora S.A. (now BBVA Titulizadora).

In July 1998, the Peruvian government sold its remaining shares in the Bank, or the equivalent of 19.12% of the Bank's total shares, in an initial public offering. Since 1995, Holding Continental has increased its ownership stake in the Bank to 92.24%, including through the purchase of shares on the secondary markets. Since 2016, as a result of a corporate restructuring, each of BBVA Perú Holding S.A.C. (a subsidiary of BBVA) and Holding Continental (a member of Grupo Breca) has owned 46.12% of the Bank's outstanding capital stock; *however*, as BBVA manages the Bank, the Bank is a member of (and consolidates into) the BBVA Group. The remaining shares in the Bank trade on the BVL, with the principal holders of such shares as of the date of this Offering Memorandum including the largest Peruvian pension fund managers (*e.g.*, AFP Integra S.A., Prima AFP S.A. and Profuturo AFP S.A.).

Ownership

For information on the BBVA Group and Grupo Breca, see "Share Capital and Ownership." The Bank's management believes that the Bank benefits from: (a) its relationship with the BBVA Group due to the BBVA Group's focus on the Latin American region, strong management, emphasis on risk management, technological and other know-how and strong credit ratings and (b) the support of Grupo Breca due to its position as one of the most important economic groups in Perú, with experienced, highly skilled management and a strong balance sheet. In addition, the Bank is able to realize certain synergies with Grupo Breca, such as the Bank's ability to offer its customers insurance products (such as life insurance, automobile insurance and property insurance) that are provided through Grupo Breca's insurance business, Rimac. Rimac also provides the health insurance for the Bank's employees.

Key Strengths

The Bank's management believes that the Group has a number of key strengths that enable the Group to compete effectively in the Peruvian banking sector. The Bank's management sees these key strengths as being:

A Leading Position in the Peruvian Banking Sector

The Bank's strong brand recognition and solid reputation have contributed to its leading position in Perú. The Bank has been one of the leading financial institutions in the Peruvian financial system for over 30 years and has grown considerably in recent years, reflecting the success of its franchise and improvements in the Peruvian economy over that time. For example, as of December 31, 2023, the Bank had a 21.15% market share in terms of performing loans, ranking second among Peruvian

banks. The Bank had more than 9.0 million customers as of December 31, 2023, comprised of approximately 8.4 million retail customers and 600,000 middle-market and corporate customers.

One of the Bank's strategies in recent years has been to increase its share of its business from retail and SME clients, which has resulted in strong gains in market share compared to 2019, having (as of December 31, 2023) increases of 5.35% in consumer and credit cards and 3.46% in SME loans since December 31, 2019.

The following table illustrates the Bank's market position in various categories and business lines as of December 31, 2023:

	Market Share	Rank
Commercial loans ⁽¹⁾	21.54%	2nd
Consumer loans ⁽¹⁾	17.20%	3rd
Mortgage loans ⁽¹⁾	24.33%	2nd
Total loans ⁽¹⁾	21.15%	2nd
Total deposits ⁽²⁾	20.78%	2nd
Demand deposits	21.92%	2nd
Savings deposits	20.83%	2nd
Time deposits	19.74%	2nd
Mutual funds (assets managed)	19.22%	2nd
Credit card accounts	18.83%	2nd
Equity	18.26%	2nd
Net income	20.26%	2nd
Branches	19.85%	2nd
ATM locations.....	24.95%	2nd

(1) Based upon performing loans.

(2) Includes demand deposits, savings deposits, term deposits and other deposits.

Operating in a Strong Economic Environment within Latin America

The Bank conducts substantially all of its business in Perú. As of the date hereof, Perú held investment grade ratings of "BBB" from Standard & Poor's, "Baa1" from Moody's and "BBB" from Fitch; *however*, in December 2022 and January 2023, each of Standard & Poor's, Moody's and Fitch changed Perú's credit outlook to negative from stable due to higher political risk.

Opportunity for Growth from Existing and New Customers

The Bank's management believes there is substantial opportunity for growth based upon the relatively low penetration of retail banking services in Perú and a growing demand for financial products in the Peruvian corporate sector. Based upon the Bank's extensive distribution network, expertise and reputation, the Bank is well positioned to grow in these areas.

The Bank seeks to obtain significant growth in its mortgage and business loan portfolio through its focus on high quality customer service and efficient processes. The Bank has also considerably increased its transactional deposits in recent years and aims to maintain this growth through continued product innovation, such as special offers for savings accounts, and transactional services, including payroll and supplier payment services for business customers. In addition, the Bank seeks to grow in the high value customer segments by emphasizing the quality of its products, its customer service focus and its favorable reputation.

Sound Risk Management Policies

In 2022 and 2023, in accordance with the Bank's strategy of increasing its retail business, the Bank's 4.71% NPL ratio as of December 31, 2023 exceeds the 4.31% average of the Peruvian financial system as of such date. As retail loans tend to have higher default rates than loans to large corporates, the growth in the Bank's retail loan portfolio (from 29.7% of the Bank's loans as of December 31, 2021 to 37.1% as of December 31, 2023) resulted in a higher NPL ratio; *however*, the Bank's NPL ratio for retail lending is below that of the Peruvian financial system (the Bank's NPL of retail (including micro) was 2.6% as of December 31, 2023 compared with 3.4% for the Peruvian banking sector). The Bank's NPL ratio of enterprise (considering

corporates, large enterprises, middle enterprises and small enterprises) was 5.9% for the Bank as of such date compared with 4.9% for the Peruvian banking sector. NPL ratios are also impacted by refinanced loans, write-offs or sales of loans (including NPLs), which was a common activity of Peruvian banks during 2022 and 2023; *however*, the Bank was less active in this regard and thus its NPL ratio was less positively impacted by such write-offs and sales.

As of December 31, 2023, the Bank's coverage ratio was 137.91%, compared to the Peruvian banking sector's coverage ratio of 144.64% as of such date.

Develop and Launch New Businesses

The Bank seeks to innovate and diversify its offerings to meet the evolving needs of its customers. For example, the Bank (with a consortium with other banks in the country) launched "Plin" in 2019, a peer-to-peer payment platform that allows customers to transfer funds between accounts at participating banks. This has been positively received by the public as it has reduced certain fees for transactions between banks while providing customers with access to immediate transactions. This application also allows the Bank to bring new customers into its ecosystem.

In 2023, the Bank embarked on two new business ventures: (a) OpenPay, a business and acquires and processes credit card and other payments, providing physical and online payment solutions tailored for SMEs and large enterprises, and (b) PowerPay, a buy-now-pay-later solution for sellers and buyers. Via these initiatives, the Bank aims to enhance its payment ecosystem solutions and bolster its presence in transactional businesses that align with its core banking operations.

The Bank's management believes that innovations such as Plin, OpenPay and PowerPay diversify its revenue streams and solidify its competitive stance within the Peruvian marketplace. In particular, through leveraging the extensive knowledge and innovations within the BBVA Group, the Bank is well-positioned to identify and capitalize on emerging trends and market gaps. In addition, the Bank's in-house capabilities in process engineering and technology enable it to develop tailor-made solutions that meet the evolving needs of the Group's customers. Coupled with the Bank's commercial capabilities and established sales channels, the Bank's management believes that the Group is well positioned to successfully launch and distribute its products, further strengthening its competitive edge in the Peruvian marketplace.

Strong Brand

The Bank's management believes that the Bank has one of the most highly regarded and widely recognized brands in the Peruvian market. With 73 years of continuous activity, the Bank is widely recognized by Peruvian corporate and retail clients. In addition, the Bank's management believes that the Bank is recognized in the Peruvian market as one of the pioneers of the digital transformation of Peruvian companies.

In addition to its digital differentiation, the Bank's management believes that the Bank is widely recognized by various segments of the Peruvian population as a modern financial institution, adapted to the shifting needs of dynamic markets, but without losing its essential identity as a traditional Peruvian institution serving Peruvians who seek progress and growth domestically and abroad. One of the factors that has contributed to the current positioning of the Bank in the market is its commitment to Perú's national objectives. All of these elements are key elements in the marketing strategy of the Bank.

In terms of outreach and engagement with social networks, the Bank's management believes that the Bank has a very significant presence in the country. Digital communication is one of the main communication channels of the Bank, through which the Bank aims to effectively communicate with existing and prospective clients while optimizing budgetary resources. The Bank aims to have a stronger impact at lowering costs through an effective media mix strategy that is periodically reassessed based upon market and industry trends.

Cross-selling Capabilities

In addition to banking products, the Bank offers its customers additional financial products and services through the Bank's subsidiaries or companies controlled by the Bank's shareholders. For example, the Bank offers its customers investment advisory services through BBVA Bolsa, provides a broad set of investment products in association with BBVA Asset Management and establishes and manages trusts to support the issuance of securities through BBVA Titulizadora. The Bank's customer-oriented strategy also focuses on meeting the insurance needs of the Bank's customers through products provided by

its affiliate insurance company Rimac Compañía de Seguros y Reaseguros (“*Rimac*”), a company owned by Grupo Breca. The Bank offers its customers a variety of life, medical and general protection insurance policies offered through Rimac in relation to their personal and business activities, including in circumstances (such as mortgage loans provided by the Bank) in which maintaining insurance is a requirement of the loan. The Bank’s management believes that the Bank gains a competitive advantage from its subsidiaries and affiliates, which are market leaders in their respective areas and are well-positioned to provide the Bank with cross-selling opportunities.

For its middle market and corporate customers, the Bank focuses not only on its sales activities but also on building its relationships with them by offering tailored services and solutions based upon their financing requirements and their asset and cash management needs. The Bank also offers its middle market and corporate customers advisory services for brokerage activities, leveraging the BBVA Group’s global expertise in this field.

Experienced Shareholders

The Bank’s management believes that the Bank benefits significantly from being part of the BBVA Group, which is one of the main financial groups in Spain and has a significant presence throughout Latin America, holding interests in banks, insurance companies and pension funds in Argentina, Bolivia, Chile, Colombia, Mexico, Perú, Uruguay and Venezuela. The Bank’s management believes these benefits are due to the BBVA Group’s focus on Latin America, strong management, emphasis on risk management, technological know-how and strong credit ratings.

The Bank’s other principal shareholder, Grupo Breca, a family-owned conglomerate that also has investments in Brazil and Chile, is one of the largest corporate conglomerates in Perú, with investments across most economic sectors, including mining, banking, insurance, real estate, tourism and fishing, some of which have publicly listed shares on the BVL.

The Bank’s management believes the Bank’s relationships with the BBVA Group and Grupo Breca allow the Bank to:

- access a larger multinational customer base,
- leverage the BBVA Group’s global presence to offer international solutions for the Bank’s customers’ financial needs,
- selectively replicate the BBVA Group’s product offerings in other countries,
- manage credit and market risks by adopting policies and applying the expertise developed by the BBVA Group,
- access the BBVA Group’s operational expertise,
- access Grupo Breca’s strong local knowledge of the Peruvian economy, and
- benefit from being related to Grupo Breca, due to its position as one of the most important economic groups in Perú, with experienced and highly skilled management.

The Bank has its own liquidity and capital management that is separate from other members of the BBVA Group. While members of the BBVA Group, including the Bank, obtain funds independently, they do so in a coordinated manner, depending upon their business profiles and funding needs. According to its internal policies, the BBVA Group does not promote inter-company financing. No member of the Group depends upon other members of the BBVA Group or on each other for their funding needs.

Experienced Management Team

The Bank’s management team has significant experience in the banking sector and the expertise to identify and offer products and services that meet the needs of the Group’s customers while maintaining effective risk management and profitability. The Bank’s managers have extensive experience and regularly attend training and development programs to

enhance their qualifications. The Bank invests in the training of its employees through both internal and third-party provided trainings and education programs.

The Bank attempts to attract professionals to its senior management who are highly competent and experienced as well as committed to the Bank's interests and objectives. The Bank's management believes that the Group maintains a competitive compensation policy through which (along with other incentive programs) the Bank combines the pursuit of its business objectives with strategies to incentivize its employees to work towards the achievement of the Bank's goals.

Strategy

The Bank's strategy is to manage sustainable profitability by leveraging its position as one of the leading banks in the Peruvian financial system and its cross-selling potential among its broad corporate and retail customer base. BBVA has defined its strategic priorities on a global basis, which are: (a) enhancing customers' financial health, (b) supporting customers in transitioning to a sustainable future, (c) customer growth, (d) achieving operational excellence, (e) building the best and most committed team and (f) investing in data and technology. These priorities have been used to define the strategic priorities at a country level, including the Bank's strategic priorities in Perú.

In 2024, the Bank intends to continue focusing its strategy on satisfying a market that over the years has been growing and becoming increasingly sophisticated, while maintaining its levels of efficiency, profitability and asset quality, thus consolidating itself as a main player in the Peruvian financial system. The Bank's primary strategies to achieve its goals are summarized below:

Enhancing Customers' Financial Health

The Bank aims to strengthen its customer relationships by transforming its channels into comprehensive providers of financial solutions, going beyond managing and acquiring financial products. For example, the Bank's "Financial Health" program, which was introduced in 2019, aims to provide customers with tools for better personal finance management. In 2023, efforts were made to bring these financial health tools closer to customers, including giving greater prominence to the expense analysis functionality of the program by adding access to it on the initial screen of the Bank's app, which contributed to an increase of 3.8 million interactions in 2023 over 2022 and a 33% and 24%, respectively, increase in customer goal and budget creation compared to 2022. In addition, during 2023, digital wallet interoperability was deployed to promote the digitization of payment methods, reducing cash usage and thereby providing the associated benefits of security, agility and health.

Supporting Customers in Transitioning to a Sustainable Future

The BBVA Group is committed to achieving carbon neutrality in its portfolio by 2050, supporting customers in their journey towards a sustainable future. As of December 31, 2023, the Bank's S/5,122 thousand portfolio of sustainable loans exceeded by 31% its goal for the year of S/3,910 thousand and represented 106% of the S/2,489 thousand total as of December 31, 2022. The December 31, 2023 result was comprised of S/872 thousand in mortgage and consumer loans, S/2,444 thousand in loans to SMEs and S/1,807 thousand in loans to corporates and large enterprises. In 2023, the Bank established itself as a sustainability leader in Perú, being the only bank in the country included in the Dow Jones Sustainability Index. Additionally, the Bank was recognized by Euromoney magazine in 2023 as the best ESG bank in Perú, highlighting the Bank's efforts to reduce its carbon footprint and provide sustainable financing alternatives to customers. The Bank also gained recognition in 2023 from the IFC as the first "EDGE Champion" in the Peruvian banking industry after certifying more than 250,000 square meters of sustainable construction built to EDGE standards. Other third-party recognition includes the Bank's inclusion in the S&P/BVL Perú General ESG index, the first sustainable index stock market in Perú, and receiving a third star in the MINAM Carbon Footprint tool.

Customer Growth

The Bank aims to accelerate its growth to serve more customers across various segments through physical and digital channels. In 2023, the Bank continued its growth by acquiring 498,280 new customers, with about 60% of such customers initiating their relationship with the Bank via a digital platform. This underscores the significant opportunity to further expand the Bank's digital channel, reach more high-value customers and solidify its position as a top choice in Perú for digital financial

products. With the integration of OpenPay, the Bank achieved a milestone of approximately 46,000 active merchants per month in 2023 and a transaction flow exceeding S/1,200 million per month in 2023.

Achieving Operational Excellence

The Bank focuses on digitizing its products and channels, aiming to provide personalized advice and high-value operations while maintaining operational efficiency. Throughout 2023, the Bank continued to improve and optimize the processes in its branches and offices, creating a better experience for both internal and external customers through centralized and automated operational activities.

Building the Best and Most Committed Team

The Bank aims to always have its purpose and values at the center of its strategy, making its team a fundamental pillar. In this regard, the Bank continuously seeks to attract and retain the best talent, improve the experience of its collaborators and reposition its employer brand while focusing on the growth of its teams and the development of skills in line with its strategic priorities. In 2023, the Bank achieved a Gallup score of 4.63, 0.19 points higher than in 2022, which recognizes the Bank's commitment to creating a better environment for its collaborators. Also in 2023, the Bank received awards in three categories in the ninth edition of the ABE Awards, which are organized by the Association of Good Employers (ABE) of the American Chamber of Commerce in Perú; these awards were those for "Comprehensive Well-being," "New forms of Learning and People Development" and "New Forms of Hybrid and Flexible Work." The Bank continued to reinforce its employer brand during 2023 with face-to-face events and, for the first time, through digital media with the "EmBBVAjadores" program. In recent years, significant improvements have been made in the employee experience and development, with initiatives such as the opening of the first gym at the central headquarters, the Vive+ App (the first centralized employee benefits/wellbeing app among Peruvian banks), Red Connection (a space to promote awareness of business processes for employees at headquarters) and The Good Manager (a program launched in 2023 that supports the development of managers' leadership skills).

Investing in Data and Technology

Data and technology are two key enablers for the strategic plan and comprehensive transformation of the Bank. In 2023, efforts continued to improve the Bank's data processes, which a focus on ensuring data availability and reuse in terms of visualization and self-service, thereby accelerating the creation of analytical value within the organization. In addition, the Bank's "Golden Data" IT platform, which seeks to democratize access to information within the Bank, was strengthened with the aim of ensuring data quality at the source through effective governance and simplified access to the most demanded data. In terms of technology, the focus remained on migrating transactional process execution to systems with lower costs and higher productivity. Furthermore, significant improvements were made in 2023 in commercial systems for individuals and businesses, along with progress in enhancing fraud predictability and containment.

Building upon the strategies outlined above, the Bank seeks to enhance the Group's financial performance and operational efficiency, delivering sustainable returns for its shareholders while optimizing its resources to drive efficiency across all facets of its operations. The Bank seeks, through prudent financial management and strategic decision-making, to maintain its position as a leading force in the Peruvian banking industry, delivering value to both its customers and investors alike. To that end, the Bank's primary strategic goals are: (a) increasing the Bank's interest income from its retail banking business, (b) increasing the Bank's net interest margin through higher financial income and lower funding costs and (c) increasing the Bank's non-interest income. The Bank's primary strategic goals are summarized below:

Increasing the Bank's Income from its Retail Banking Business

The Bank's management believes that retail banking in Perú has significant growth potential. There is a relatively low penetration rate of financial services that, in combination with the expected growth of the Peruvian economy and continued socioeconomic upward mobility, might result in significant increased demand for the Bank's retail banking products. The Bank has significantly expanded its exposure to the retail segment in recent years and intends to continue increasing its offering of retail products and services. The Bank's management believes that improving the value proposition for the Bank's clients in the retail segment while maintaining the Bank's strong cross-selling strategy will increase the Group's profitability.

The Bank seeks to increase its fee income by: (a) continuously reviewing its fee structure to adjust to market conditions and practices, (b) increasing its cross-selling efforts, (c) promoting the use of alternative channels such as technological and electronic payment methods and online banking, (d) expanding the Bank's network of points of service and forging new partnerships with high-volume businesses to anticipate increased activity for the Bank and (e) promoting the Bank's debit and credit cards.

Increasing the Bank's Net Interest Margin through Higher Financial Income and Lower Funding Costs

The Bank seeks to increase its financial income (including through better channel management and improving its pricing capabilities) and reduce its funding costs (including through a larger and well-diversified deposit base and selective market and bank debt offerings). Along with this, through the joint effort of its retail, middle-market and corporate banking teams, the Bank has focused on collections and payments from existing business customers, achieving at the same time the enrollment of new retail customers related to these businesses.

Increasing the Bank's Non-Interest Income

The Bank's non-interest income is comprised primarily of fees on standby letters of credit, credit card fees, commissions for insurance distribution and several transactional services such as account administration, money transfers, third-party collections and cash management facilities. Increasing fee income is an important component of the Bank's business strategy.

For the Bank's retail banking customers, the Bank intends to increase revenues from new and existing fee-based services such as credit cards, insurance brokerage, electronic banking, general checking services, mutual funds and securities brokerage services. For the Bank's middle-market and corporate customers, the Bank intends to actively market new and existing fee-based services such as electronic banking, cash collection, payroll, supplier payment, investment advisory and cash management services. In addition, the Bank focuses on offering foreign exchange operations through its network.

Lines of Business

The Bank operates as a universal bank offering a broad range of financial services to its customer base. In recent years, the Bank's customer base has experienced significant growth, reflecting expansion in the Peruvian economy and the resulting increased nationwide demand for financial services. As of December 31, 2023, the Bank's customer base consisted of more than 9.0 million customers. The Bank continues to develop and improve its products and services to meet the needs of its customers. The Bank's main lines of business include the following:

- retail banking, which serves individuals and SMEs with annual sales under S/8,000,000,
- commercial banking, which serves companies with annual sales of S/8,000,000 up to less than S/200,000,000 and government-owned entities,
- corporate banking, which serves large corporate groups with annual sales equal to or greater than S/200,000,000 and multinational corporations, and
- other financial services, which include the Bank's treasury, asset management and brokerage services.

Retail Banking

The Bank's retail banking business serves approximately 8.4 million individuals and SMEs with annual sales under S/8,000,000. The Bank considers its retail banking business to be one of its strategic priorities as it seeks to take advantage of the increasing access to banking services that has occurred in Perú over the last decade. The Bank's nationwide distribution network supports its strong presence in the retail banking segment. The Bank's retail banking strategy is to expand its presence by offering innovative products and engaging in aggressive marketing efforts to increase cross-selling opportunities, with a special focus on being chosen by customers as their primary bank. This strategy focuses on attracting individuals and SMEs not only through the wide variety of products the Bank offers, but also through a potential long-term relationship with the Bank as their primary bank.

The Bank's main products for its retail customers include the following:

- Deposit products, including different types of savings accounts, checking accounts and time deposits. The Bank offers products that allow customers to maintain savings accounts in Soles, U.S. dollars or euros. The Bank offers its retail customers a wide portfolio of products to meet their deposit needs and is constantly seeking new opportunities and designing new products oriented to the specific needs of its retail customers. Examples of these initiatives are the products "Cuenta Ganadora," a savings account with special prices and discounts, and "Mundo Sueldo," a payroll account that offers customers the ability to receive their salary through an account that provides special benefits such as the ability to withdraw money from any ATM (including ATMs from other banks) without an additional fee and discounts from retail establishments and restaurants. In addition, the Bank offers structured deposits such as "DIVA," which is made up of a deposit, which thus guarantees 100% of the principal at maturity, plus an option that allows the customer to obtain a variable rate of interest.
- Credit products, including several types of mortgage, vehicle and consumer loans, loans to finance postgraduate studies and Visa and MasterCard credit cards. The Bank has a strong position in mortgage loans, offering customized products such as "Préstamo Hipotecario Flexible" (which provides a scheme that reduces the interest rate once the mortgage is formalized), "Nuevo Crédito Mi Vivienda" (which is designed to assist low-income individuals in purchasing their own homes and is supported by funds from the Peruvian government) and "Mivivienda Verde," "Préstamo Hipotecario ConstruyO" and "Préstamo Hipotecario Libre" (home loan programs, including offerings that facilitate lending to younger customers by crediting up to 60% of a borrower's salary for purposes of calculating the debt-to-income ratio for credit approval purposes). The Bank has also strengthened its presence in consumer finance products, especially in vehicle loans through its subsidiary Forum Distribuidora del Perú S.A. In addition, to strengthen the Bank's position with the affluent segment, the Bank offers an "Infinite Visa" credit card, which provides additional benefits beyond the Bank's other credit cards.
- Investment products include a broad portfolio of mutual funds and fixed income investments. The Bank's mutual funds are managed by its subsidiary BBVA Asset Management, through which the Bank also offers fixed income investments. The Bank continuously innovates with its portfolio such as with its mutual fund "Selección Estratégica," which is a pool of funds that invest in securities from North America, Europe and Asia, among other regions.
- Other products and services designed to satisfy the transactional, insurance and cash management needs of the Bank's retail customers include debit cards, insurance products, remittance services, national and international funds transfer services, letters of credit, payment of services and e-commerce payment platform SafetyPay. The Bank's debit cards include its Visa and Visa VIP cards, which are linked to the customer's bank account and can be used to make purchases in locations that are part of the Visa network and to withdraw cash from the Bank's nationwide network of ATMs. The insurance products the Bank offers include, among others, life insurance and credit and debit cards and fraud protection insurance, provided through Rimac.

Commercial Banking

The Bank's commercial banking business serves companies and government-owned entities with annual sales of S/8,000,000 up to less than S/200,000,000. The Bank's main products for its commercial customers include the following:

- Deposit products, including savings accounts, checking accounts and time deposits. One example is the Bank's "Cuenta Corriente" product (available in U.S. dollars and Soles), which is a checking account geared towards its business customers and can be used to make withdrawals, deposits, payments of salaries and payments to third parties and transfer funds between the holder's different accounts.
- Credit products, including credit cards and loans to finance specific business needs such as working capital and the purchases of commercial goods and services as part of the trade cycle. Some of the Bank's commercial loans, such as its "Préstamo Comercial" product, are available in Soles or U.S. dollars since many of the Bank's commercial customers have cash flows and expenses in foreign currencies. The Bank offers several different types of Visa credit card options to its business customers, including its "Tarjeta Capital de Trabajo" product (with a line of up to S/200,000), which has a revolving line of credit for the purpose of meeting working capital needs, payable over a maximum period of 24 months, allowing the customer to choose the option that best suits its needs. The Bank also

offers “Tarjeta Empresarial,” a product designed to assist its customers in managing travel expenses incurred by their employees.

- Transactional services, including cash management, payroll, leasing and foreign trade services, are available in an electronic format through the Bank’s “BBVA Net Cash” platform, available both online and through a mobile app, both of which can be accessed 24/7.
- Cash management services involve the Bank’s collection of payments from third parties (such as clients) on behalf of the Bank’s customers. Through the Bank’s payroll services, it handles its customers’ payment of the salaries and wages of their employees. Factoring services involve the purchase by the Bank of its customers’ accounts receivable at a discount. Through the Bank’s leasing services, it leases a particular asset such as machinery to its customer, who has the option to buy the asset at the end of the lease period and is able to realize a tax benefit through this arrangement.
- Other products and services designed to complement the Bank’s deposit and credit products and to meet the specific needs of its commercial customer base include debit cards, insurance products and the discounting of bills. The Bank’s debit cards include its Visa card, which is linked to the customer’s bank account and can be used to make purchases in locations that are part of the Visa network and to withdraw cash from ATMs. The Bank’s insurance products include several different types of life insurance policies offered to its customers for the benefit of their employees. In addition, the Bank offers the “Multi-risk Business Insurance” product, which assists customers in safeguarding their assets.

Corporate Banking

The Bank’s corporate banking business serves large corporate groups with annual sales equal to or greater than S/200,000,000 and multinational corporations. The Bank’s corporate banking business consists of its corporate banking, investment banking and trustee services. The Bank offers its corporate customers a wide range of sophisticated financial products, including syndicated loans, leasing, securitizations and structured notes.

The investment banking area of the Bank’s corporate banking business is responsible for providing structuring, origination and financial advisory services to its corporate customers and to its middle market customers, in addition to handling bilateral loans with other financial institutions.

The Bank’s subsidiary BBVA Titulizadora was created to serve as the trustee in securitizations structured by the Bank, pursuant to Peruvian regulations requiring the trustee to be a single purpose legal entity. BBVA Titulizadora is also legally capable of serving as the trustee in securitizations structured by third parties other than the Bank and its affiliates.

Other Financial Services

In addition to the Bank’s retail, commercial and corporate banking businesses, it provides other specialized financial services to its customers, including the following:

- *Treasury services.* Through its Global Markets unit, the Bank provides treasury services that involve the administration of the deposits of its commercial and corporate customers. In addition, the Bank assists its customers with their liquidity management and foreign exchange operations, offers basic derivatives products to assist them in hedging market risk and provides advisory services regarding the state of the local and international markets. The risk involved in interest rate and exchange rate derivatives is managed by the Bank’s independent risk management unit.
- *Asset management services.* The Bank offers its customers asset management services, primarily in the form of financial advisory services for its business and institutional customers. These services involve advising existing customers as to various long-term investment options that exist within the local market, such as mutual funds, and investing the customers’ assets. In addition, the Bank’s subsidiary BBVA Asset Management (which is a separate business from the Bank’s own internal asset management services) acts as a fund manager for 32 mutual funds. As of December 31, 2023, BBVA Asset Management had S/6,176 million of assets under management. While the Bank at times advises its customers to invest in those particular funds (and receives a commission to do so), its asset management services are not limited to the funds managed by BBVA Asset Management.

- *Brokerage services.* Through The Bank's subsidiary BBVA Bolsa, the Bank provides brokerage services to customers by assisting them in purchasing or selling shares listed on the BVL. BBVA Bolsa also provides brokerage services relating to fixed income investments, as well as portfolio advisory services. In addition, BBVA Bolsa assists the Bank's customers in trading securities on foreign exchanges located in markets such as New York, London and Toronto through its relationship with international brokers that provide direct access to equities and fixed income for retail and institutional investors.

Business Support Units

A number of functions and units support the Bank's main lines of business, including the Customer Solution unit and the Finance unit.

Customer Solutions Unit

The Bank's Customer Solutions unit is responsible for developing products and advertising campaigns for the Bank's retail and commercial businesses, as well as developing the Bank's overall brand. The unit works closely with the Bank's other areas to engage in strategic planning and to create programs to implement the Bank's goals. The Customer Solutions unit recently created several initiatives designed to improve the Bank's customers' overall experience by increasing the speed and efficiency of certain day-to-day banking transactions.

Finance Unit

The Finance unit is in charge of funding and liquidity management and works with the Global Markets unit to handle the Bank's short-term funding needs and to manage the liquidity excess. The Finance unit is also responsible for issuances of the Bank's long- and medium-term debt, as well as the monitoring and forecasting of capital, managing of interest rate risk in its non-trading assets and the structural foreign exchange rate risk. The Finance unit also oversees, among other responsibilities, the Bank's accounting procedures and the preparation and monitoring of the Bank's budget.

Distribution Channels

Points of Service

The Bank maintains a broad network throughout Perú and continues to increase its points of service to better reach its customers. The Bank's distribution channels include its branches, ATMs and express agents. In addition to its regular branches that handle the greatest volume of its banking transactions, the Bank has a smaller number of special branches that are intended for its business, corporate and institutional customers. As of December 31, 2023, the Bank had a total of 325 branches in Perú.

As of December 31, 2023, out of the Bank's 1,951 ATMs, 1,569 were cash-only dispensers with the rest being multifunction ATMs, which offer customers the possibility to perform more sophisticated transactions such as cash deposits. The Bank has been working on several projects seeking to broaden the operations that can be done through multifunction ATMs, such as credit card payments, bill payments and loan payments.

The Bank's ATMs are usually placed in high traffic areas, including gasoline stations, office buildings, supermarkets, commercial centers and malls. As of December 31, 2023, all of the Bank's ATMs were owned by it, 1,325 of which were located in its branches, 103 in other companies, 41 in Farmacias Peruanas S.A. and 482 in other locations.

The Bank has express agents located within small businesses with which it maintains a relationship. The express agents are authorized to perform certain transactions on the Bank's behalf, such as payment services, sending and collecting money, accepting payments for loans and credit cards and withdrawing money, and are a cost-effective way for the Bank to provide greater access for its customers. In addition to the express agents, the Bank has express plus agents, which provide the same services as express agents with a dedicated on-site employee to perform banking transactions. As of December 31, 2023, the Bank had 7,926 express agents (including express plus agents) located throughout Perú.

Telephone, Mobile and Online Banking Services

The Bank offers its customers telephone banking services 24 hours a day, seven days a week, which they can access from the telephone modules located within the Bank's branches or from a private telephone number that is registered with the Bank. Through telephone banking, the Bank's customers can obtain balance information, make credit card payments, transfer money between accounts, make payments on their loans and pay their utilities and other bills.

The Bank also provides mobile banking services to its customers. To this extent, the Bank launched in 2020 its renewed mobile application for smartphones, available for all operating systems, that allow customers to make card payments, transfer money between accounts, pay their bills and utilities and provides access to campaigns for pre-approved loans, insurance and credit cards. As part of the Bank's commitment to offering safety, security and convenience for its customers, transactions are confirmed exclusively through digital tokens. In addition, The Bank continually seeks to improve the customer experience in its mobile application, including through developing new functionalities such as "My goals" (which facilitates a client's ability to set automatic rules to move money to a savings account). For these reasons, the mobile application has become the Bank's main channel of interaction with customers, gathering more than 50% of the Bank's total transactions in 2023.

The Bank also offers online banking services to its customers. Through the online platform, customers can carry out all of their most frequent non-cash banking transactions, including, among others, obtaining balance information and transferring money between accounts. Online banking is a particularly important aspect of the Bank's services, due to a growing consumer preference for internet usage in Perú and increasing rates of internet penetration, as well as because of the operating efficiencies the Bank can achieve.

Digital Sales

In 2015, the Bank started selling digital products online for credit cards, loans, investment funds and insurance. Since then, the Bank's e-commerce has grown rapidly and, by December 31, 2023, the Bank offered 20 products for personal, business and corporate banking through its website and mobile apps, having a base of customers of 2.8 million in 2023 (as compared with 3.2 million in 2022, 2.8 million in 2021, 2.3 million in 2020 and 1.7 million in 2019).

As of December 31, 2023, more than 61.2% of the products and services (56.1% in credit cards, 62.9% in loans and 44.8% in accounts) sold by the Bank were through digital channels, with the goal of reaching 64.7% online sales as of December 31, 2024. The Bank's app itself was the Bank's primary transactional channel. For the period from September 2023 to December 2023, it had a 58% share of total transactions, ranking first in customer experience and achieving a 68% Net Promoter Score (NPS) according to a benchmark study by Izo. In addition, the "Plin" digital wallet reached 18 million transactions in December 2023 (an increase of 136% from December 2022) and monetary transactions on the app reached S/ 242 million during 2023 (as compared with S/172 million in 2022 and S/ 125 million in 2021).

These achievements have been possible due to the digital culture of the BBVA Group and its integrated strategy of digital capabilities, such as paid media, organic search optimization (SEO), e-mail marketing, web content, data analytics and the continuous optimization of the Bank's digital sales processes.

Subsidiaries

The following table gives details as of December 31, 2023 for each of the Bank's subsidiaries other than the two small subsidiaries currently in the process of voluntary liquidation:

Entity	Business	Percentage held
BBVA Bolsa Sociedad Agente de Bolsa S.A.	Portfolio advisory and brokerage	100.00%
BBVA Asset Management S.A. Sociedad Administradora de Fondos.	Mutual funds	100.00%
BBVA Sociedad Titulizadora S.A.	Securitization trustee	100.00%
Inmuebles y Recuperaciones BBVA S.A.	Collection	100.00%
Forum Distribuidora del Perú S.A.	Commercial vehicle finance	100.00%

Each of these companies is fully consolidated within the Group's accounts. In the analysis that follows of the Bank's subsidiaries' businesses, all amounts are before elimination of intercompany transactions and balances with the rest of the Group.

BBVA Bolsa Sociedad Agente de Bolsa S.A.

BBVA Bolsa Sociedad Agente de Bolsa S.A., which started its operations in 1997, provides brokerage services. In 2023, the company ranked ninth by trade volume with a 2.39% market share according to figures published by the SMV. As of December 31, 2023, the company's total assets were S/15.1 million and its equity was S/14.2 million. The company's profit for 2021, 2022 and 2023 was S/2.8 million, S/2.7 million and S/0.5 million, respectively.

BBVA Asset Management S.A. Sociedad Administradora de Fondos

BBVA Asset Management S.A. Sociedad Administradora de Fondos, which started its operations in 1997, provides mutual fund management financial services. In 2023, the company ranked second by assets under management with an 18.72% market share as of the end of 2023 according to figures published by the SMV. As of December 31, 2023, the company's total assets were S/30.8 million and its equity was S/28.1 million. The company's profit for 2021, 2022 and 2023 was S/14.6 million, S/6.5 million and S/5.1 million, respectively.

BBVA Sociedad Titulizadora S.A.

BBVA Sociedad Titulizadora S.A., which started its operations in 1999, is a small subsidiary that provides wealth management services through securitizations structured by the Bank. As of December 31, 2023, the company's total assets were S/5.2 million and its equity was S/4.4 million. The company's profit for 2021, 2022 and 2023 was S/1.11 million, S/0.60 million and S/0.19 million, respectively.

Inmuebles y Recuperaciones BBVA S.A.

Inmuebles y Recuperaciones BBVA S.A., which started its operations in 1998, provides real estate sales services. As of December 31, 2023, the company's total assets were S/153.0 million and its equity was S/152.0 million. The company's profit for 2021, 2022 and 2023 was S/9.2 million, S/9.0 million and S/5.1 million, respectively.

Forum Distribuidora del Perú S.A.

Forum Distribuidora del Perú S.A., which started its operations in 2013, provides inventory financing to authorized automotive dealers of brands with which the Bank maintains strategic alliances ("floor plan" loans) and retail vehicle credits. As of December 31, 2023, the company's total assets were S/145.1 million and its equity was S/33.6 million. The company's profit for 2021, 2022 and 2023 was S/2.7 million, S/3.7 million and S/2.8 million, respectively.

In addition to these subsidiaries, the Bank coordinate closely with Comercializadora Corporativa S.A., which is a member of the BBVA Group. In coordination with this company, the Bank offers financial, insurance and other products in Perú.

Intellectual Property

The Group's operations are not, to any significant extent (other than for the purposes of brand recognition and value), dependent upon any specific intellectual property right. The Group seeks to protect the trademarks and trade names that it deems necessary for its operations, and the Bank's management believes that these rights are sufficiently protected.

Insurance

The Bank has a world-wide bankers blanket bond insurance policy for the Bank's operations in Perú. This insurance policy covers cash assets, assets (including cash) in transit, ATMs. and safe deposit boxes, as well as corrupt practices on the part of the Bank employees or use or abuse of the Bank's resources for their own benefit. Third-party fraud, particularly relating to internet banking, electronic funds transfer, securities trading and custody, is also covered. The Bank's automated systems

are insured against damage caused by cyber attacks. New branch offices are insured automatically from their date of establishment. The Bank's management believes that the amount of insurance coverage that is presently maintained represents the appropriate level of coverage required to insure the business of the Group. For information on deposit insurance protection for the Bank's depositors, see "Supervision and Regulation – Deposit Insurance Fund."

Competition

According to the information published by the SBS, as of December 31, 2023, the Peruvian banking system is currently comprised of 17 commercial banking institutions. As of December 31, 2023, the Bank was the second largest Peruvian bank in terms of assets, loans, equity, deposits and branches as each term is defined by the SBS.

The table below sets forth the Bank's market share in the following categories of the Peruvian banking system on an unconsolidated basis as of December 31, 2023:

	Market Share	Rank
Total assets.....	20.38%	2nd
Performing loans.....	21.15%	2nd
Deposits	20.78%	2nd
Equity.....	18.26%	2nd
Net income	20.26%	2nd

Total Assets. As of December 31, 2023, the Bank was second in the Peruvian banking system in terms of total assets, according to the SBS. Total assets include the loan portfolio, cash and bank accounts, trading and term investments, accounts receivable and other assets as each term is defined by the SBS. The following table sets forth the level of assets for banks in Perú as of the indicated dates:

	As of December 31,					
	2021	Share	2022	Share	2023	Share
	<i>(Soles millions, except percentages)</i>					
BCP	185,892.5	35.9%	178,504.6	35.5%	179,521.6	35.0%
The Bank	101,644.6	19.6%	98,156.3	19.5%	104,412.8	20.4%
Scotiabank	77,023.8	14.9%	73,854.8	14.7%	70,421.2	13.7%
Interbank	68,380.1	13.2%	66,825.4	13.3%	68,233.6	13.3%
Others	85,153.0	16.4%	84,793.2	16.9%	89,628.6	17.5%
Total Peruvian banking system ...	518,094.1	100.0%	502,134.2	100.0%	512,217.8	100.0%

Performing Loans. As of December 31, 2023, the Bank was the second largest in the Peruvian banking system in terms of performing loans, with a market share of 21.15%. The following table sets forth the level of performing loans for banks in Perú as of the indicated dates:

	As of December 31,⁽¹⁾					
	2021	Share	2022	Share	2023	Share
	<i>(Soles millions, except percentages)</i>					
BCP	116,150.6	35.2%	116,012.2	34.5%	111,308.1	33.9%
The Bank	69,531.7	21.1%	68,248.8	20.3%	69,456.5	21.1%
Scotiabank	52,957.1	16.0%	53,525.4	15.9%	48,485.8	14.8%
Interbank	41,248.7	12.5%	43,575.4	13.0%	44,669.9	13.6%
Others	50,366.3	15.3%	54,799.2	16.3%	54,527.9	16.6%
Total Peruvian banking system ...	330,254.4	100.0%	336,161.0	100.0%	328,448.3	100.0%

(1) For purposes of this table only, "performing loans" means: (a) total direct loans *minus* (b) loans past due, loans under legal collection and refinanced loans.

Deposits. As of December 31, 2023, the Bank was the second largest in the Peruvian banking system in terms of deposits, with a market share of 20.78%. The following table, which includes deposits from the public and financial institutions, sets forth the level of deposits for banks in Perú as of the indicated dates:

	As of December 31,					
	2021	Share	2022	Share	2023	Share
	<i>(Soles millions, except percentages)</i>					
BCP	121,793.4	36.8%	118,339.6	36.3%	120,350.6	35.9%
The Bank	63,214.0	19.1%	66,147.7	20.3%	69,675.5	20.8%
Interbank	44,397.8	13.4%	44,020.4	12.7%	45,342.0	12.0%
Scotiabank	44,271.9	13.4%	41,313.1	13.5%	40,239.2	13.5%
Others	57,582.5	17.4%	56,169.0	17.2%	59,643.6	17.8%
Total Peruvian banking system ...	331,259.6	100.0%	325,989.8	100.0%	335,250.9	100.0%

Equity. As of December 31, 2023, the Bank ranked second among commercial banks in Perú in terms of equity. The following table sets forth the level of equity for banks in Perú as of the indicated dates:

	As of December 31,					
	2021	Share	2022	Share	2023	Share
	<i>(Soles millions, except percentages)</i>					
BCP	20,288.3	35.3%	22,000.9	35.5%	23,974.5	35.4%
The Bank	10,181.7	17.7%	11,257.2	18.2%	12,368.8	18.3%
Scotiabank	10,792.9	18.8%	10,892.2	17.6%	11,582.5	17.1%
Interbank	6,802.8	11.8%	7,079.8	11.4%	7,712.8	11.4%
Others	9,363.3	16.3%	10,719.3	17.3%	12,112.1	17.9%
Total Peruvian banking system ...	57,429.0	100.0%	61,949.4	100.0%	67,750.9	100.0%

Net Income. For 2023, the Bank was the second largest in the Peruvian banking system in terms of net income. The following table sets forth net income for banks in Perú for the indicated years:

	As of December 31,					
	2021	Share	2022	Share	2023	Share
	<i>(Soles millions, except percentages)</i>					
BCP	3,031.4	42.0%	4,484.0	44.3%	4,664.5	50.6%
The Bank	1,559.3	21.6%	1,912.6	18.9%	1,869.1	20.3%
Interbank	1,200.5	16.6%	1,171.7	11.6%	900.5	9.8%
Scotiabank	1,041.8	14.4%	1,425.5	14.1%	736.9	8.0%
Others	384.6	5.3%	1,125.4	11.1%	1,055.2	11.4%
Total Peruvian banking system ...	7,217.5	100.0%	10,119.2	100.0%	9,226.2	100.0%

Legal Proceedings

The Bank is subject to various administrative and legal proceedings arising in the ordinary course of business, including litigation relating to product-related claims, labor, health and safety matters, regulatory, tax and administrative proceedings, governmental investigations, tort claims and contract disputes. The Bank's management believes that none of these proceedings will have a material adverse effect on the Bank's financial condition or results of operations. The Bank cannot assure that these or other legal proceedings will not materially and adversely affect the Bank's ability to conduct the Bank's business in the manner that the Bank expects, or otherwise adversely affect the Bank's results of operations and financial condition, should an unfavorable ruling occur.

Internal Audit

The Bank has an Internal Audit Unit that reports to the Board of Directors. This unit also serves the Bank's subsidiaries, and consists of 34 professionals, specialized in treasury and capital markets, information technology, processes, accounting, credit risk and fraud prevention. The Internal Audit Unit's function is to perform permanent, independent and objective evaluations to ensure the effectiveness of the internal control systems and risk management. This audit unit is a part of and received support from the global audit team of the BBVA Group.

The Internal Audit Unit develops a continuous risk assessment process, which consists of the evaluation of the most relevant risks that affect the Bank's processes (including an assessment of the inherent risks and their level of control) to identify the most relevant issues and develop an annual audit plan. As part of this continuous risk assessment process, the annual audit plan is reviewed every quarter in order to identify possible new issues and to determine if it is necessary to include a new audit engagement.

The Internal Audit Unit provides quarterly reports to the Audit Committee of the Board of Directors detailing the progress and the evaluation of the work performed in accordance with the annual audit plan. These reports include an evaluation of the Bank's policies and procedures, the level of compliance with these policies and procedures, local laws, strategic plan, investment and growth plans as well as a report of the results of SBS reviews and reviews by external and internal auditors. In addition, the Internal Audit Unit prepares reports every four months for the SBS in order to report the follow-up review of the audit plan and the progress on the action plans derived from these reviews.

Information Technology

The Bank works with two data center facilities, the primary one being located in Atizapán, Mexico and the second site being in Lima, Perú. The general mainframe platform is maintained by BBVA and each of the BBVA Group's local users, including the Bank, has its own platform specifications. The Bank's Regional Center of Computer Operations is located at the site in Atizapán, Mexico, which is owned by BBVA and to which the Bank connects by two international private networks supported by two different network providers with channel redundancies in each one. The Bank also rents a back-up computer facility, which is located in Querétaro, Mexico, as a part of the Bank's disaster recovery plan.

In the event of a disaster, natural or otherwise, as a result of which the Bank could not operate its technology infrastructure, the back-up computer facilities are designed to act as a surrogate technology backbone, providing all of its services to the Bank's branches and electronic banking systems (including ATMs). The system is designed to allow the Bank to operate under as close to normal conditions as possible during a disaster. Additionally, the Bank has established another site in Lima to serve as a back-up site for the Bank's secondary site in the event of a disaster. This site has the ability to conduct all essential operations to ensure the continued functioning of the Bank's business.

The data center located in Lima is designed for servers supporting local applications and is integrated with the two data centers in Mexico in the same private network. This site has been designed and constructed to comply with the latest international standards of the Up-time Institute (Certified Tier III Gold by the Uptime Institute in Design and Construction).

As part of the Bank's disaster recovery plan, the back-up site with GTD Perú located in Lima is an alternative to the secondary data center operating in an "active-active" mode, allowing the Bank to restart operations in one hour. Both sites are integrated with the two main data centers in Mexico.

All of the Bank's points of service, including branches, ATMs and self-service modules, are linked to the Bank's center of computer operations, permitting it to monitor and analyze services while allowing most transactions to be executed on a real time, online basis. The applications the Bank uses for accounting, foreign exchange processing, risk management, retail banking, credit cards, ATMs and online banking have all been developed within the BBVA Group and are used in all of the Bank's operations. Data back-up is performed on a daily basis and each of the Bank's applications and services has its own specific back-up requirements. The back-up process is automated in order to prevent errors.

The Bank's technology operations and initiatives are managed by its technology and operations division (called Engineering within the BBVA Group), which reports to the Bank's CEO. The Bank employed over 1,300 full-time IT employees as of December 31, 2023 and retains the services of certain specialized third-party providers that, together, develop,

install, maintain and operate all of the Bank's information technology, including software applications, information management and security systems. To provide better service to end users, the Bank has outsourced the help desk, monitoring and operations services and the installation of hardware and software for its branches.

The Bank's most critical operational data and software are stored on its mainframe system, access to which is controlled by a series of authorized mechanisms and passwords, with strong information technology security and privacy practices.

Due to the high incidence of internet fraud in Latin America, including Perú, the Bank has taken serious precautions to prevent security breaches and to protect its customers from internet and credit card fraud. The Bank's internet transactions require an online transaction password token, with customers being prompted for this token as a second password for their transactions. The Bank has also adopted a series of security measures relating to its ATMs and self-service modules, which measures are designed to prevent card cloning and PIN retrieval. The Bank encourages its customers and employees to adopt common security best practices in their access of the Bank's services. All of these measures are accompanied by an online transaction monitoring system that generates alerts for abnormal transactions.

Employees

The Bank places a high priority on recruiting and retaining the highest quality staff in alignment with its long-term business strategies and regards its staff as its most significant resource. The Bank also aims to provide a high level of personal and professional training that is both role-oriented and designed to develop certain skills and competencies and promote a coherent, unified corporate culture.

The following table shows the Group's number of employees as of the dates indicated:

	As of December 31,		
	2021	2022	2023
Banco BBVA Perú	6,183	6,735	7,266
Subsidiaries	108	153	220
Total	6,291	6,888	7,486

As of December 31, 2023, only 1.68% of the Bank's employees were part of a union, which is known as the "Centro Federado de Empleados del BBVA Perú." The Bank's union bargaining process is reviewed annually. The Bank's management believes that the Bank's relations with the union are good. The Bank has not experienced a strike or work stoppage since 1990. The remainder of the Bank's employees are non-unionized.

Property

The Bank is domiciled in Perú and owns its headquarters located at Avenida República de Panamá 3055, San Isidro, Lima, Perú. As of December 31, 2023, the Bank had 325 branches. The Bank owns the real estate for certain branches and leases real estate relating to the others from unaffiliated third parties.

Anti-Money Laundering, Combatting the Financing of Terrorism and Anti-Bribery Policies

Perú is a member country of the Latin American Financial Action Task Force (GAFILAT), one of the regional groups of the Financial Action Task Force (the "FATF"), and has enacted laws to combat money laundering, terrorist/proliferation financing and other financial crimes. Minimum standards and duties include customer identification, record keeping, suspicious activity reporting, risk management and monitoring activities, employee training, audit functions and designation of a compliance officer. Suspicious transactions must be reported to the UIF. In Perú, all banks and their employees are obliged to implement and fulfill certain requirements regarding the treatment of activities that may be referred to as money-laundering or terrorist/proliferation financing. See "Supervision and Regulation -Anti-Money Laundering Rules."

It is the policy of the Bank (including its entire branch network) and each of the Bank's subsidiaries to act in compliance with all applicable laws and international standards on combatting money laundering and terrorism/proliferation

financing, including to prohibit money laundering and any activities facilitating the money laundering process, the financing of terrorism/proliferation or criminal activities.

The Bank seeks to prevent the use of the Group's banking products and services for the purpose of money laundering and terrorism financing through a program of compliance with the obligations of anti-money laundering and combatting the financing of terrorism rules, which program is to be followed by all employees. This program, which has been implemented throughout the Bank and its subsidiaries, includes written policies and procedures, assigning a compliance officer to monitor this matter, an audit and review function to test the robustness of anti-money-laundering and terrorism financing policies and procedures, monitoring and auditing customer activities and transactions in accordance with anti-money laundering and terrorism financing law and employee training.

The Bank's management believes that the Bank is materially in full compliance with Peruvian anti-money laundering, terrorist financing and bribery, as well as the policies and self-regulation issued by BBVA. The anti-money laundering compliance function reports to the Board of Directors and consists of a manager and 19 individuals specialized and fully dedicated to anti-money laundering matters. In addition, one individual performs operational support to monitor the execution of the related corporate processes.

Compliance with Sanctions Laws

It is the policy of the Bank (including its entire branch network) and each of the Bank's subsidiaries to carry out operations in accordance with all applicable law and international standards. The Group's policy is to comply with certain international sanctions programs, including particularly the sanctions imposed by the United Nations Security Council, the United States, the EU, the UK and Perú. The Group's policy is to not provide services to countries and activities subject to such sanctions, or to intermediate any banking service, in breach of such sanctions, including with respect to the proceeds of the Notes.

OFAC administers laws that restrict the ability of U.S. persons to invest in, or otherwise engage in business with, SDNs, and similar laws have been put in place by other U.S. government agencies (including the State Department), the EU, the UK, the United Nations and Perú. The Bank maintains policies and procedures designed to ensure that it complies with all such laws regarding doing business with, maintaining accounts for, or handling transactions or monetary transfers for Sanction Targets.

Before opening an account for, or entering into any transaction with, a customer, the Bank checks whether such customer is listed as a Sanction Target. In addition, the names of all customers and all incoming and outgoing transactions are continuously and automatically screened by a filtering programme against a list of Sanction Targets. All of the Bank's daily transactions are further reviewed for compliance with sanction lists by the Bank or a third-party screening company.

Accordingly, the Bank's current policies restrict the Bank from engaging in any prohibited business investments and transactions with Sanction Targets, including with respect to the proceeds of the Notes.

In connection with the rapid changes in sanctions relating to the conflict in Ukraine, the Bank has taken enhanced measures to monitor these events and seek to ensure compliance with sanctions as they apply to Russia.

Licenses and Permits

The Bank is authorized by the SBS to conduct banking activities as described in "Supervision and Regulation." BBVA Bolsa, BBVA Asset Management and BBVA Titulizadora are licensed by the SMV. IRBSA is not required to have a license.

Credit Ratings

Each of the Bank's credit ratings (and, where relevant, ratings outlook) from Standard & Poor's, Moody's and Fitch as of the date of this Offering Memorandum is set out below. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency. The date of the Bank's rating is based upon the last applicable report of the applicable rating agency.

Standard & Poor's (February 29, 2024)

Long-term Foreign Currency Issuer Default Rating/Outlook:	BBB / Negative
Short-term Foreign Currency Issuer Default Rating:	A-2 / Negative
Long-term Local Currency Issuer Default Rating/Outlook:	BBB / Negative
Short-term Local Currency Issuer Default Rating:	A-2 / Negative
Issuer Credit Rating:	BBB / Negative / A-f2
Subordinated Debt Rating	BBB-

Moody's (February 29, 2024)

Long-term Foreign Currency Deposit Rating/Outlook:	Baa1 / Negative
Short-term Foreign Currency Deposit Rating:	Prime 2
Long-term Local Currency Deposit Rating/Outlook:	Baa1 / Negative
Short-term Local Currency Deposit Rating:	Prime 2
Subordinated Debt Rating:	Baa3

Fitch (December 11, 2023)

Long-term Foreign Currency Issuer Default Rating/Outlook:	BBB / Negative
Short-term Foreign Currency Issuer Default Rating/Outlook:	A-2 / Negative
Long-term Local Currency Issuer Default Rating/Outlook:	BBB / Negative
Short-term Local Currency Issuer Default Rating/Outlook:	A-2 / Negative

RISK MANAGEMENT

In common with other financial institutions, the Group's activities involve taking risks, including: (a) credit risk, (b) liquidity risks, (c) market risks (such as interest rate, foreign exchange and equity risks) and (d) operational (including legal) risks. Each of these risks is described in more detail below. The Bank considers effective risk management to be crucial to its success and allocates substantial resources to upgrading its policies, methods and infrastructure to ensure compliance with best international practices and the guidelines of the Basel Committee on Banking Supervision (the "*Basel Committee*").

Peruvian financial authorities have formulated rigorous risk management regulations for the banking sector. The SBS has issued a set of requirements regarding risk management practices for all banking institutions in Perú. The regulations require that banks have adequate policies and procedures in place to manage credit, liquidity, market and operational risks. Management processes must include sound measurement and monitoring methods as well as the establishment of risk limits. SBS regulations also require the establishment of risk committees and a risk management unit. The Bank's management believes that the Bank's risk management function and processes are in substantial compliance with the SBS requirements.

Risk Management Governance

The Bank's risk management function is performed in a centralized unit independent of the business units that oversee credit exposure across the Bank's market segments. Risk management is comprised of an Integral Risk Committee, an Executive Credit Risk Committee, a Technical Operational Committee and a Risk Management Unit. The Bank's Risk Management Unit identifies and measures the quantifiable financial risk of the Bank and reports directly to the Bank's CEO. The Bank's Integral Risk Committee decides on the strategies and policies related to mitigating financial risks, including the setting of risk limits, which are approved by the Bank's Board of Directors. The Bank's Technical Operational Committee analyzes and evaluates proposed operations and serves as a technical filter for the Executive Credit Risk Committee. The Bank's Executive Credit Risk Committee analyzes, evaluates, qualifies and determines the final decision of special individual operations according to the procedures and policies established by the Integral Risk Committee. The Bank's Integral Risk Committee meets monthly whereas the Technical Operational Committee and the Executive Credit Risk Committee each meet at least weekly.

The Bank's risk management function is fully integrated within the BBVA Group's risk management structure and, to the extent consistent with Peruvian law, the Bank applies the BBVA Group's risk management policies. The Bank is subject to oversight by the BBVA Group's risk management unit in Spain as certain transactions (for instance, operations involving country risk) must be approved by BBVA, and the head of the Bank's risk management area reports to both the Bank's CEO and to BBVA's risk management unit.

Management of Specific Risks

The Bank's risk management processes distinguish among the types of risks set out below. See also Note 29 of the Consolidated Annual Financial Statements as of and for the year ended December 31, 2023.

Credit Risk

The most significant risk faced by the Bank is credit risk, which is defined as the potential loss caused by the partial or total failure of a counterparty or issuer to perform on an obligation to the Bank. Credit risk can affect the performance of both the Bank's loan portfolio and investment portfolio.

The Group is exposed to credit risk primarily through its lending, trade finance, treasury and leasing activities, but credit risk might also arise in other circumstances. Concentrations of credit risk arise when a number of customers are engaged in similar business activities, activities in the same geographical region and/or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. In addition to credit risk for the loans, advances and other assets reflected in the Financial Statements, the Group is exposed to off-balance sheet credit risk through contingent liabilities assumed by it such as via letters of credit issued by the Bank. The following describes the Bank's policies and procedures to manage credit risk across its primary business lines.

Retail Credit

For retail clients (thus including smaller SMEs as discussed in “Lines of Business” above), the authority to extend credit is delegated to branch managers, which managers are authorized to approve credit within individual limits set according to the amount of credit and the type of risk involved. Transactions over those limits or branches whose manager does not have a sufficient delegation authority must be evaluated by the Bank’s risk management unit.

The Bank’s evaluation of credit risk is based upon its highly developed predictive tools, all of which are calibrated based upon the performance profile of the customer and on the Bank’s criteria and risk standards. The Bank uses several tools to evaluate the credit risk represented by individuals, including its credit report tools “Score Reactivo” and “Score de Buró.” Both of these programs analyze biographical data such as income, employment status and household size and review the credit history of the individual with the Bank and with other financial institutions. “Score de Buró” also analyzes the credit behavior of all of the individual’s obligations in the Peruvian financial system over the last 24 months, including (*inter alia*) the number of credit cards owned by the individual and the availability of credit on these credit cards. The resulting score determines the amount of credit the Bank will provide that individual. In addition, the Bank contracts the services of an outside vendor to verify the work and home address that the customer has provided in order to ensure the possibility of future collection of the credit.

The Bank’s credit evaluation procedures with respect to credit cards are based upon a computerized credit scoring system designed specifically for credit cards. There are two different processes of origination: the mass process, which is carried out by the Bank’s risk management unit, and the individual process, which is carried out by each of the Bank’s branches. Through the mass process, the Bank’s risk management unit pre-approves credit cards for a large number of clients that have passed previously set filters. Through the individual process, the Bank evaluates each new credit card application on an individual basis at the branch level. This evaluation can also be done by the Bank’s risk management unit.

The Bank’s monitoring activities are an important part of its credit risk management procedures, through which it can anticipate and reduce the risk of default. The Bank monitors its customers’ credit and payment behavior on an ongoing basis by keeping track of their various credit products with the Bank and with other financial institutions as well as their payment patterns. The Bank also analyzes factors relating to type of product, year of origination, marketing campaign and geographic area, among others, to develop models that allow it to detect early any warning signs in a borrower’s account. If this occurs, the Bank takes steps such as contacting the customer to discuss an alternate payment plan. In this way, the Bank actively applies preventative measures to avoid a deterioration of its credit portfolio.

Wholesale credit

For commercial and corporate customers, account officers are responsible for analyzing and then preparing proposals regarding loan applications. Each loan application is then classified according to its segment (corporate, institutions, middle-market or small business).

A business customer’s credit evaluation process focuses primarily on the credit history and reputation of the business’ owners and management, its production processes and facilities, its current and projected cash flows and the guarantee or security offered for the credits. With respect to loans intended to finance a particular project, the evaluation focuses primarily on the experience and expertise of the sponsors relating to such type of project, the existence of relevant contracts, market conditions, the projected financial condition of the borrower and the socio-environmental impact of the project, as appropriate. The Bank assigns a credit risk rating based upon this analysis that helps identify the customer’s risk profile.

In the middle-market and small business segments, the credit business is divided into categories representing broad geographical regions. The divisions are made up of regional offices and territories. The credit risk team manages the portfolios according to each industry, including through analysts with specialized knowledge of each industry (utilizing a matrix structure that prioritizes industry expertise). A group of risk analysts is assigned to each division, allowing them to gain deep knowledge of the economic and other conditions of the applicable region.

The Bank evaluates credit risk represented by its small business, middle-market and corporate customers, in which system it analyzes (*inter alia*) the customer’s corporate governance, financial condition, credit history and market share as well as the conditions of the industry in which the borrower participates. The organization by industry enable the Bank to utilize

analysts with specialized knowledge, improving the Bank's decisions. After meeting the Bank's initial requirements, credits for small business, middle-market and corporate customers are analyzed by the enterprise risk management department, including through the use of rating models.

The credit risk of the Bank's large multinational corporate customers is handled at BBVA. BBVA's risk management unit manages the global relationship with those customers and coordinates lending and other services with all of the regions/banks involved. In addition, credits for companies that exceed the Bank's authority are decided by BBVA, where a team of analysts reviews the information and proposals provided by the Bank's team in Perú.

As with the Bank's retail customers, the risk management unit monitors its business customers' credit and payment behavior on an ongoing basis, including keeping track of the various products that business customers have with the Group and with other financial institutions as well as their payment patterns. If a customer appears to meet one of the high-risk profiles that the Bank has identified, the Bank's monitoring tool known as "EWS" (Early Warning System) evaluates a number of factors and, based upon the result, assigns a risk level. At that stage, the Bank's monitoring risk unit will reach out to the customer and, if appropriate, attempt to negotiate new terms for the credit, whether by refinancing the credit and obtaining additional collateral or by evaluating other payment methods to avoid payment defaults.

Collection, Mitigation & Recovery

The Bank centralizes the functions and processes necessary for the monitoring, containment of default, collection, recovery and NPL write-offs for the Bank's retail and wholesale clients, which enables the Bank to achieve efficiencies and benefit from external management channels (through collection agencies, call centers and law firms) and internal channels (through the Bank's network of offices and dedicated recovery personnel).

The NPL portfolio is managed through a centralized strategy that differentiates each of the stages of the credit life cycle and defines refinancing, adjudication and payment policies with clients and seeks to minimize allowance expense and delinquency levels.

Since 2022, the Bank implemented a Comprehensive Collection Plan. This is a transformation project that involves, among others, improvements in processes, information management, remediable products, customer experience and technology platform, and it will continue to be developed through 2025.

As part of the Comprehensive Collection Plan, the Bank has implemented general write-off policies for the Bank's portfolios, improvements through key performance indicators (KPIs) and key risk indicators (KRIs) and collection and recovery dashboards for appropriate monitoring. In addition, the Bank has entered into agreements with collection agencies and law firms and made improvements to the Bank's service level agreements and supplier performance monitoring.

In addition, the Bank has implemented a process to sell poor quality loans and write-off uncollectible loans.

Liquidity Risk

Liquidity risk encompasses: (a) funding liquidity risk, which refers to the inability of the Bank to renew liabilities or obtain new ones at normal market conditions, and (b) market liquidity risk, which refers to the inability to unwind or offset positions due to a lack of market depth, thereby affecting the value of an asset. For example, funding liquidity risk arises if an unusual increase in the withdrawal of deposits creates the need to increase funding positions at a high cost or liquidate asset positions in the short-term at reduced prices. The purpose of managing liquidity risk is to minimize the cost of funds through adequate coverage of liquidity needs that arise in either the ordinary course of business or from unforeseen events.

The Bank's Treasury unit is responsible for maintaining adequate short-term liquidity levels in Soles and U.S. dollars. The Bank's Asset and Liability Committee ("ALCO") is responsible for maintaining adequate long-term liquidity levels in Soles and U.S. dollars, delegating operational tasks to the Bank's Finance unit. The Bank's principal sources of funding in Soles are customer deposits, which are highly concentrated in checking accounts (non-interest and interest-bearing), savings accounts, time deposits and repos with the Central Bank. The Bank's principal sources of U.S. dollar funding are checking accounts (non-interest and interest-bearing), savings accounts, time deposits and wholesale funding, including capital market issuances and bilateral loans.

Liquidity risk is analyzed by time horizon (short-term), concentration of funding, liquidity performance indicators and stress conditions and is monitored through a limit and alerts scheme for quantitative and qualitative indicators whereby, if necessary, a contingency plan is implemented for immediate corrective actions.

Market Risk

Market risk is the potential loss due to: (a) adverse changes in the market prices of financial instruments as a result of movements in interest rates, foreign exchange rates and equity prices and (b) the adverse effect on the Bank's traditional banking activities of interest rate and foreign exchange rate fluctuations. The Bank's exposure to market risk arises from: (i) trading and investment in financial instruments, with interest rates, foreign exchange rates (principally the Sol/U.S. dollar exchange rate) and equity prices as the main sources of market risks, and (ii) traditional banking services such as deposit-taking and lending where the balance sheet is exposed to interest rate risk and foreign exchange risk.

Trading Position

Treasury and trading positions are evaluated every business day for market risk using value-at-risk methodology. In addition, daily information regarding risk versus limits, scenario analysis and stress tests for such positions is produced.

The Bank's risk management unit uses a historic simulation model to calculate value-at-risk. Equally weighted historic simulation is used as the central measure to control the corresponding value-at-risk limits. The effect of portfolio diversification is measured within this model. The Bank also measures stress test value-at risk with a 2008 financial crisis scenario. The model is also back-tested.

Historical data of market parameters such as interest rate curves, foreign exchange prices, volatilities and stock indexes for the last two years is available for value-at-risk calculations.

The information presented below corresponds to the Bank's positions as of December 31, 2023. Daily value-at-risk is calculated with a 99% confidence level. Value-at-risk is calculated to represent the maximum loss at such confidence level due to changes in market values of trading positions. The Bank's trading position does not have securities that are no longer traded, are held-to-maturity or are highly illiquid or in recovery. During 2023, daily value-at-risk never exceeded the limit of S/23,000 million. Limits are reviewed by the Market Risk Committee periodically.

The following table displays the values of the Bank's daily value-at-risk as of December 31, 2023:

	Limit	Actual	% of Limit
	<i>(Soles in thousands, except percentages)</i>		
Limits			
Economic capital.....	609,800	414,626	68.0%
VaR	23,000	16,838	73.2%
Sublimits			
VaR interest rate	19,550	17,080	87.4%
VaR foreign exchange.....	11,500	568	4.9%

Stress testing is used to complement the value-at-risk methodology. Stress testing involves the creation of scenarios based upon infrequent or catastrophic events to evaluate contingencies and is of particular importance in periods of highly volatile or illiquid markets. The sensitivity analysis the Bank conducts shows the effect on positions caused by predetermined changes in market variables (measured at 0.01% increments in interest rates).

In addition, the Bank has a stop-loss process that issues a warning if losses reach a certain level preset by its Board of Directors. If a stop-loss warning is issued, the Market Risk Committee is convened to establish an action plan.

Interest Rate Risk

The Bank manages interest rate risk following policy guidelines established by its ALCO and the limits set for it at the corporate level. As of December 31, 2023, the sensitivity of the Bank's earnings to interest rate changes of 300 basis points

in local currency and 100 basis points in foreign currency was 1.24% of regulatory capital, both according to the Bank's regulatory model. As of the same date, a Monte Carlo analysis (*i.e.*, a risk management tool used for conducting quantitative risk analysis) based upon 105 cases with a 99% confidence interval resulted in a ratio of economic capital to base capital of 6.55%.

Both metrics imply that the Bank's changes in earnings and economic value are within the appropriate range due to the Bank's amount of regulatory capital and core capital. Values above 25.00% (in relation to economic capital / base capital) suggest a scenario that would be potentially harmful to the Bank (*e.g.*, could involve great earnings losses, decrease of company value and increase of risk), if interest rate volatility were to increase.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. This definition includes conduct and compliance risk and money laundering and terrorist financing risk but excludes strategic and/or business risk and reputation risk. The Bank measures and endeavors to control operational risk through its risk management and control model, which model is applied across the Group and is comprised of: (a) rules for governance and organization, (b) a risk appetite framework, (c) rules for evaluation, monitoring and reporting of risks and (d) infrastructure standards.

The Bank articulates an operational risk management model implemented throughout the organization based upon methodologies and procedures for identifying, assessing and monitoring operational risk and supported by tools that allow qualitative and quantitative risk management. This model is based upon decentralized management of operational risk carried out by operational risk management teams in two lines of defense. In the first line, Risk Control Assurers seek to promote adequate management of operational risk in their respective management areas. In the second line of defense, a team of Risk Control Specialists define mitigation and control frameworks in their area of specialty and carry out a verification of the controls that were implemented by the first line. Both such teams are supervised by a unit that monitors methodologically and that reports to the corresponding operational risk committees, keeping management up to date.

In relation to qualitative operational risk management, the Bank uses "MIGRO," a tool that makes it possible to record the identified operational risks by associating them with a process taxonomy and quantifying them, as well as recording the periodic evaluation controls associated with critical risks. the risks and controls in MIGRO are updated periodically.

In relation to quantitative operational risk management, the Bank uses "SIRO" (Integrated Operational Risk System), which is a database that contains historic operational risk events that involved loss events suffered by the Bank and its subsidiaries.

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

Among the most relevant initiatives carried out by the Bank during 2023 regarding operational risk, the Bank made improvements in: (a) the MIGRO corporate tool for the operational risk admission workflow and the monitoring of weaknesses and action plans and (b) the Bank's operational risk assessment methodology.

With respect to operational risks relating to money laundering and certain similar risks, please see "The Group and its Business – Anti-Money Laundering, Combating the Financing of Terrorism and Anti-Bribery Policies."

Derivatives

In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments, including to minimize certain of the risks described above (*e.g.*, foreign currency swaps). A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices. Derivative financial instruments include forwards, swaps, futures and options.

All of these transactions are executed in line with the Bank's approved counterparty limits. PV01 (a measure of sensitivity) limits by currency and maturity breakdown are followed and reported on every business day.

The Bank uses netting to mitigate counterparty risk on its derivative transactions. As noted above, the Group uses bilateral or multilateral master agreements that comply with the general provisions of international master agreements such as those published by the International Swaps and Derivatives Association, Inc. (ISDA), which include closeout netting clauses and margining agreements. Additionally, for the most active counterparties in over-the-counter derivatives, credit support annexes have been put in effect so that on the basis of daily valuations, net current exposures are managed through margin accounts where cash collaterals can be reciprocally posted.

Capital Adequacy

The Bank is required to comply with capital adequacy guidelines set forth in the Peruvian Banking Law and regulations promulgated by the SBS, which are based upon the standards established by the Bank for International Settlements. These guidelines require banks to maintain adequate levels of regulatory capital against risk-bearing assets, off-balance sheet exposures and market and other risk positions. The Peruvian Banking Law defines the capital of a bank as the sum of: (a) Tier I Regulatory Capital (which includes "ordinary" (or common equity) capital) and (b) Tier II Regulatory Capital *minus* certain capital deductions defined in "Supervision and Regulation – Basel III - Capital Adequacy Requirements." The Peruvian Banking Law provides that a bank's: (i) CET1 ratio shall be equal to or higher than 4.5% of a financial institution's total risk-weighted assets, (ii) tier I capital adequacy ratio shall be equal to or higher than 6.0% of a financial institution's total risk-weighted assets and (iii) total capital ratio shall be equal to or higher than 10.0% of a financial institution's total risk-weighted assets. In connection with the implementation of Basel III standards, the SBS has issued several regulations to increase gradually the minimum total capital ratio for Peruvian financial institutions until 2026. For more information, see "Supervision and Regulation – Basel III – Capital Adequacy Requirements."

The following table sets forth the Bank's capital adequacy ratios as of the indicated dates, calculated in accordance with the Peruvian Banking Law:

	As of December 31,		
	2021	2022	2023
Capital:	<i>(Soles thousands, except percentages)</i>		
Ordinary tier 1 capital	8,647,749	9,587,238	11,797,764
Additional tier 1 capital.....	-	-	-
Tier II regulatory capital	3,271,400	3,297,640	3,114,497
Total capital	11,919,149	12,884,879	14,912,261
Total risk-weighted assets.....	84,328,425	92,296,092	95,667,570
Capital Adequacy Ratios:			
CET1 ratio ⁽¹⁾	10.25%	10.39%	12.33%
Total capital ratio ⁽¹⁾	14.13%	13.96%	15.59%

(1) The increase in the CET1 ratio (and thus also the total capital ratio) in 2023 is in large part attributed to the implementation of changes to Peruvian regulations to attain alignment with Basel III, including the incorporation of earnings in the capital measurement and deductions for intangibles, unrealized gains/losses from available-for-sale investments. See "Supervision and Regulation – Basel III - Capital Adequacy Requirements."

See "Supervision and Regulation – Basel III – Capital Adequacy Requirements" for additional information.

MANAGEMENT

Overview

Pursuant to the provisions of the Peruvian Corporations Law (in Spanish: *Ley General de Sociedades*) (Law No. 26887) and the bylaws (in Spanish: *estatuto social*) of the Bank, the Board of Directors is responsible for the management of the Bank.

The bylaws provide that the Board of Directors shall consist of a minimum of five members, including the CEO of the Bank. All other members of the Board of Directors are elected by the shareholders of the Bank. Members of the Board of Directors do not have a term and thus serve until they resign or otherwise depart the Board of Directors. Meetings of the Board of Directors occur at the Bank's head office or (to the extent a written notice is served to the Bank's Chairman, Vice-Chairman and the members of the Board of Directors) at another location in Lima or in another city in Perú or abroad. The Chairman or Vice Chairman of the Board of Directors may call a meeting of the Board of Directors and must do so if requested by at least one other director. The required quorum at any Board of Directors meeting is at least a majority of its members. Resolutions must be passed with the positive votes of at least a majority of the attending members. In particular, the duties and powers of the Bank's Board of Directors are as follows:

- (a) the high-level management of the Bank and the power to give relevant instructions,
- (b) determining the management organization of the Bank,
- (c) establishing the necessary organization for the accounting, financial planning and management and audit of the Bank,
- (d) the appointment and dismissal of managers and other managerial level personnel and persons who hold representation and binding signatory powers,
- (e) the high-level supervision of whether management staff comply with law, the Bank's articles of association, internal guidelines and instructions of the Board of Directors,
- (f) keeping the Bank's share ledger, Board of Directors resolution ledger and General Assembly meeting minutes, issuing the Bank's annual activity report and statement regarding compliance with corporate governance rules and submitting the same to the General Assembly, preparing the General Assembly meetings and implementing General Assembly meeting resolutions, and
- (g) notifying the court if the Bank's share capital is negative.

The Bank's senior management includes the Bank's executive officers, who are described below.

Board of Directors

The Bank's Board of Directors is comprised of 10 members and five alternate members as of the date hereof and meets on a monthly basis. Four directors represent Grupo Breca, four represent the BBVA Group and there are two independent directors.

The Bank's Board of Directors consists of:

Name	Position	Member Since
Alex Fort Brescia	Chairman	June 2013
Pedro Brescia Moreyra	First Vice Chairman	June 2013
Pablo Alfonso Pastor Muñoz	Second Vice Chairman	July 2022
Fernando Eguiluz Lozano	Member and CEO	July 2019
Mario Brescia Moreyra	Member of the Board of Directors	March 2013
Fortunato Brescia Moreyra	Member of the Board of Directors	June 2013
Rafael Varela Martinez	Member of the Board of Directors	May 2020
José Carlos López Alvarez	Member of the Board of Directors	June 2018
Ismael Alberto Benavides Ferreyros	Member of the Board of Directors - Independent	March 2018
José Manuel Rodríguez-Novas	Member of the Board of Directors - Independent	May 2020
Sanchez-Diema		

Alex Fort Brescia

Mr. Alex Fort Brescia has been a member of the Board of Directors since 1995 and Chairman since June 2013. Mr. Fort holds a master's degree in business administration from Columbia University and has experience serving as director of the boards of various companies, including Inversiones Nacionales de Turismo S.A. ("INTURSA"), Corporación Peruana de Productos Químicos S.A. ("CPPQ"), Agrícola Hoja Redonda S.A., Rimac, Holding Continental, Compañía Minera Raura S.A. ("Raura"), Clínica Internacional S.A., Exsa S.A., Inversiones Centenario S.A.A., Minsur S.A. ("Minsur"), Soldexa S.R.L. and Sociedad de Comercio Exterior del Perú.

Pedro Brescia Moreyra

Mr. Pedro Brescia Moreyra has been a member of the Board of Directors since May 1995 and First Vice Chairman since June 2013. Mr. Brescia has experience serving as director on the boards of various companies, including INTURSA, CPPQ, Agrícola Hoja Redonda S.A., Rimac, Holding Continental, Raura, Clínica Internacional S.A., Exsa S.A., Soldexa S.R.L. and Minsur. Mr. Brescia holds a bachelor's degree in economics with a minor in business administration from Boston University.

Pablo Alfonso Pastor Muñoz

Mr. Pablo Alfonso Pastor Muñoz has been a member of the Board of Directors since July 2022. Mr. Pastor is an economist and holds a master's degree in international business from ESCP Business School. He has experience serving as a director on the boards of various companies, including Türkiye Garanti Bankası A.Ş. (BBVA's subsidiary in Türkiye) and Forum Servicios Financieros, and as head of Global Risk Management South America, Türkiye and M&A in BBVA.

Fernando Eguiluz Lozano

Mr. Fernando Eguiluz Lozano has been a member of the Board of Directors and the Chief Executive Officer since July 2019. Prior to that, Mr. Eguiluz held various management positions at BBVA México, S.A. ("BBVA México"), most recently as Director of Human Resources, Communications and Corporate Premises. Mr. Eguiluz holds an industrial and systems engineering degree from the Instituto Tecnológico y de Estudios Superiores de Monterrey, a master's degree in business administration from the Instituto Panamericano de Alta Dirección de Empresas and a master's degree in business administration from the Universidad Adolfo Ibañez / Deusto Business School.

Mario Brescia Moreyra

Mr. Mario Brescia Moreyra has been a member of the Board of Directors since March 2013. He is also a director of various companies of Grupo Breca such as Tecnología de Alimentos S.A. ("TASA"), Rimac and Minsur. Mr. Brescia holds a bachelor's degree in administration from Universidad Ricardo Palma.

Fortunato Brescia Moreyra

Mr. Fortunato Brescia Moreyra has been a member of the Board of Directors since June 2013. Mr. Brescia holds a degree in mining engineering from Colorado School of Mines. He is a member of the Management Committee of Grupo Breca and is director of various companies such as Minsur, Raura and Rímac.

Rafael Varela Martinez

Mr. Rafael Varela Martinez has been a member of the Board of Directors since May 2020. Mr. Valera holds an MBA from IE Business School. He has been a director of several companies within the BBVA Group.

José Carlos López Álvarez

Mr. José Carlos López Álvarez has been a member of the Board of Directors since June 2018. Mr. Lopez is an economist with a bachelor's degree from Universidad de Barcelona and an MBA from Universidad de Navarra. He has experience as a director of several companies within the BBVA Group.

Ismael Alberto Benavides Ferreyros

Mr. Ismael Alberto Benavides Ferreyros has been an independent member of the Board of Directors since March 2018. Mr. Benavides is an agricultural engineer and holds a master's degree in finance from University of California, Berkeley. He has been a director at Interbank and BanBif, as well as a director of the Central Bank, general manager of COFIDE, Minister of Economy and Finance, Minister of Fisheries and Minister of Agriculture, among other management positions in public and private entities.

Jose Manuel Rodriguez-Novas Sanchez-Diezma

Mr. Jose Manuel Rodriguez-Novas Sanchez-Diezma has been an independent member of the Board of Directors since May 2020. Mr. Rodriguez-Novas is an agricultural engineer with a degree from Escuela Tecnica Superior de Ingenieros Agronomos de Madrid. Mr. Rodriguez-Novas has experience as a manager of MRN Corporate and Investment Advice SLU and Koru Advisors SL, among others, and until 2014 he occupied several management positions within the BBVA Group.

Alternate Directors. When a specific member of the Board of Directors is unavailable for any given reason, then such member appoints one of the Alternate Directors as his or her replacement for the specific meeting or other action to be undertaken. The Alternative Directors are set out below:

Antonio Alonso Granada

Mr. Antonio Alonso Granada is an economist with a bachelor's degree from Universidad de Zaragoza. Mr. Alonso occupied several management positions within the BBVA Group until 2018.

Jaime Araoz Medanic

Mr. Jaime Araoz Medanic holds a bachelor's degree in business administration from Universidad de Lima and a master's degree in business administration from Northwestern University. He has experience in the management of different companies such as Inversiones Breca and Holding Continental, and as a member of the board of directors of Rímac, CPPQ, Intursa, Melón (Chile), Minsur and Raura.

Miguel Ángel Salmon Jacobs

Mr. Miguel Ángel Salmon Jacobs holds a bachelor's degree of law and political science from Universidad de Lima. He has experience in the legal management of different companies such as Armco Perú, Siderperú, Grupo El Comercio, Estratégica - Centro Corporativo Breca and as an alternate member of the board of Rímac, CPPQ, INTURSA, Minsur, Raura and TASA.

Gustavo Alberto Mazzolini Casas

Mr. Gustavo Alberto Mazzolini Casas is a public accountant and holds a bachelor's degree in administration from Universidad Nacional de Rosario. He has experience in several management positions within the BBVA Group.

Pedro José Malo Rob

Mr. Pedro José Malo Rob holds a bachelor's degree in economics from Universidad de Cuenca and master's degree in finance from Brandeis University. He has experience in the oversight of different companies, such as being a member of the board of Clínica Internacional and an alternate member of the boards of Rímac, CPPQ, INTURSA, Minsur, Raura and TASA.

Executive Officers

Executive officers are responsible for supervising and coordinating the activities of their respective units, monitoring progress with regard to the Bank's business targets and goals, approving expenditures, investments and financing within set limits and contributing to the Bank's management regarding the design of the Bank's strategy, setting targets for the Bank and drawing up an annual budget for their respective divisions. The Bank's executive officers are the following:

Name	Position
Fernando Eguiluz Lozano	Chief Executive Officer
Sandra Elba Bianco Roa	Business and Corporate Banking Manager
Marco Galdo Marin	Retail Banking Manager
Frank Babarczy Rodriguez	Corporate and Investment Banking Manager
Luis Morales Espinosa	Chief Solutions Manager
Ignacio Fernández-Palomero Morales	Head of Finance
Vicente Puig Payá	Risk Manager
Walter Borra Núñez	Internal Audit Manager
Hector Carrera Riva Palacio	Engineering Manager
Ruth Anabelí Gonzalez Velapatiño	Legal Advisory Manager
Enrique Medina García	Talent & Culture Manager
Ana María Katia Alcázar Espinoza	Internal Control and Compliance Manager

Information on each of the executive officers other than the CEO is set out below.

Sandra Elba Bianco Roa

Ms. Sandra Elba Bianco Roa has served as Talent & Culture Manager since August 2018. She served as Manager of the Individuals Segment from October 2016 to June 2018. Prior to that, she held several management positions within the BBVA Group, including Asset Management Manager (BBVA Asset Management). Ms. Bianco is an economist with a degree from the Universidad del Pacífico.

Marco Galdo Marin

Mr. Marco Galdo Marin has been Retail Banking Manager since January 2019. Prior to that, he held various positions within the Bank, such as Territorial Manager and Office Manager. Mr. Galdo has a degree in economics from the Pontificia Universidad Católica del Perú and a master's degree in administration from the Universidad ESAN.

Frank Babarczy Rodriguez

Mr. Frank Babarczy Rodríguez has served as Corporate and Investment Banking Manager since March 2020. Prior to that, Mr. Babarczy held several management positions within the Bank, including as Manager of Global Markets. Mr. Babarczy holds a degree in economics from Universidad del Pacífico and an executive master's degree in business administration from Esade Business School.

Luis Morales Espinosa

Mr. Luis Morales Espinosa has served as Client Solutions Manager since March 2020. Prior to that, he held several management positions within the BBVA Group, including Director of operations, campaigns and commercial intelligence in BBVA México. Mr. Morales holds a degree in industrial engineering and a master's degree in administration from Instituto Tecnológico y de Estudios Superiores de Monterrey.

Ignacio Fernández-Palomero Morales

Mr. Ignacio Fernández-Palomero Morales has been the Bank's Head of Finance (Chief Financial Officer) since March 2017. He has a degree in economics and business administration from the Universidad Autónoma de Madrid, Spain. From 2014 to 2017, he served as Director of Asset and Liability Management for South America and Switzerland in the BBVA Group, being in charge of the BBVA Group's subsidiaries in seven countries in Latin America (Colombia, Perú, Chile, Argentina, Venezuela, Uruguay and Paraguay) and Switzerland. From 2008 to 2014, he was General Director of Public Debt Management in the General Secretariat of Treasury and Financial Policy of the Economy and Trade Ministry of Spain.

Vicente Puig Payá

Mr. Vicente Puig Payá has served as Risk Manager since September 2019. He has over 30 years of experience, holding different positions in the risk area of the BBVA Group and other financial institutions. Mr. Puig has a law degree from the University of Valencia and a master's degree in economics and business management from the Polytechnic University of Valencia.

Walter Borra Núñez

Mr. Walter Borra Núñez has served as Internal Audit Manager since January 2010. Prior to that, Mr. Borra held several management positions within AFP Horizonte S.A., including Commercial Manager. Mr. Borra holds a degree in naval science and a master's degree in business administration from Escuela Superior de Administración de Negocios.

Hector Carrera Riva Palacio

Mr. Héctor Carrera Riva Palacio has served as Engineering Manager since May 2021. Prior to that, Mr. Carrera held several management positions in BBVA México, including Director of System Engineering. Mr. Carrera holds a degree in computing from Secretaría de Educación Pública de México and a master's degree in information technology services administration from Universidad Iberoamericana.

Ruth Anabeli González Velapatiño

Ms. Ruth Anabeli González Velapatiño has served as Legal Advisory Manager since July 2019. Prior to that, Mrs. González held the position of Legal Manager of Global Markets, having joined the Bank in 2008. Ms. González holds a law degree from the Pontificia Universidad Católica del Perú and a master's degree from Columbia University's School of Law.

Enrique Medina García

Mr. Enrique Medina García has served as Manager of the Talent & Culture since June 2022, having served previously as Transformation and Data Manager since December 2019. Prior to that, he held several positions in BBVA México from January 1998, including as Director of Strategy and Organizational Development. Mr. Medina has a degree on actuarial science from Instituto Tecnológico Autónomo de México (ITAM) and holds a master's degree in financial engineering from Universidad La Salle.

Ana María Katia Alcázar Espinoza

Mrs. Ana María Katia Alcázar Espinoza has served as Internal Control and Compliance Manager since May 2021. Prior to that, she held several management positions within the Bank, including Chief Operating Officer (COO) - CIB. Mrs. Alcázar is an industrial engineer with a degree from the Universidad de Lima and holds an MBA from Universidad ESAN.

Committees

There are a number of committees set up at the Bank to fulfill the supervisory function. The Board of Directors oversees and audits the entire Bank via the Integral Risk Committee, Audit Committee, Nominations, Remunerations and Talent Management Committee, Corporate Governance Committee and Compliance Committee.

In addition to these, there are committees whose members are composed of the Bank's executives (e.g., the Corporate Assurance Committee, Portfolio Strategy (PSM) Committee, Assets & Liability Committee, Risk Management Committee, Data Security and Protection Steering Committee, Cost Management and Efficiency Committee, Corporate Crisis and Business Continuity Management Committee, Responsible Business and Sustainability Committee, Operational Risk Admission and Product Governance Committee, Integrity Committee and Information Systems Continuity Committee).

Information relating to these committees is set out below.

Integral Risk Committee

The Integral Risk Committee implements policies relating to the mitigation of financial risks, including the setting of risk limits, and oversees credit exposure across all of the Bank's market segments. The members of the committee are:

Name	Position
Jose Ignacio Merino Martín	President
Alex Fort Brescia	Member, Chairman
Fernando Eguiluz Lozano	Member, CEO
Vicente Puig Payá	Risk Manager

Audit Committee

The Audit Committee is responsible for monitoring the Bank's internal control system and reports to the Bank's Board of Directors on the execution of policies and internal procedures. The Audit Committee approves and oversees the execution of the working plan of the Bank's Internal Audit Unit and is also responsible for evaluating the performance of the Bank's external auditors. The members of the Audit Committee are:

Name	Position
Jose Manuel Rodriguez-Novas Sanchez-Diezma	President
Alex Fort Brescia	Member, Chairman
Jose Ignacio Merino Martín	Member
Ismael Benavides Ferreyros	Member (Independent)

Nominations, Remunerations and Talent Management Committee

The Nominations, Remunerations and Talent Management Committee is responsible for evaluating the candidates for the Board of Directors that are proposed at the Shareholder's General Meeting, proposing the salaries of members of the Board of Directors, proposing to the Board of Directors the candidates for executive officers, understanding the fundamental issues concerning the Bank's remuneration policy and applying the Bank's policies in relation to loans granted to employees. The members of the committee are:

Name	Position
Pablo Alfonso Pastor Muñoz	President
Alex Fort Brescia	Member, Chairman
Fernando Eguiluz Lozano	Member, CEO
Mario Brescia Moreyra	Member

Corporate Governance Committee

The Corporate Governance Committee is responsible for supervising compliance with the Bank's corporate governance policies. The Corporate Governance Committee implements the necessary improvements required to maintain the Bank's quality standards and ensures that shareholders, investors and the market have access to relevant information about the Bank. The members of the committee are:

Name	Position
Alex Fort Brescia	President, Chairman
Fernando Eguiluz Lozano	Member, CEO
Pedro Brescia Moreyra	Member
Rafael Varela Martinez	Member

Compliance Committee

The Compliance Committee reports to the Bank's Board of Directors on the compliance of the Bank's policies and internal procedures, including overseeing the execution of the annual working plan of the Bank's compliance. The members of the committee are:

Name	Position
Ismael Benavides Ferreyros	President (Independent)
Fernando Eguiluz Lozano	Member, CEO
Fortunato Brescia Moreyra	Member

Compensation

The members of the Board of Directors and the Bank's executive officers received aggregate remuneration in 2021, 2022 and 2023 of S/16 million, S/16 million and S/15 million, respectively. Members of the Board of Directors do not receive any additional compensation for acting as directors; *however*, certain directors are employees of the Bank and/or other members of the BBVA Group and receive compensation for such employment.

Loans extended to members of the Board of Directors and managers are limited by the Peruvian Banking Law to no more than 7% of the Bank's regulatory capital. No loans are granted to Board members and managers above these limits. No members of the Board of Directors or any of the Bank's executive officers have any options in respect of the Bank's share capital.

Conflicts of Interests

Except as described in the following sentence, there are no actual or potential conflicts of interest between the duties of any of the Directors and any of the Executives and their respective private interests or other duties. A number of Directors also currently hold director or management positions within the BBVA Group or the Grupo Breca. As such, there might be a conflict of interest between such Directors' respective duties to the Bank and any duties they may owe to other members of the BBVA Group or the Grupo Breca.

Address

The business address of the Bank's executive management and the Board of Directors is the Bank's headquarters at Avenida República de Panamá 3055, San Isidro, Lima 27, Perú. The Bank's telephone number is (51) (1) 209-1000.

Auditors

SBS regulations require the Bank to undergo an external audit on a quarterly basis. Under the SBS regulations, the external audit firms and external auditors must fulfill certain requirements to be qualified as "independent." A bank may retain the independent audit services of the same external audit firm indefinitely; *provided* that such audit firm rotates the responsible partner(s) at least after five consecutive fiscal years of auditing the same bank (after which the departing partner(s) may not audit such bank until at least two years have elapsed). Independent auditors are held liable for damages and losses to third

parties. The Group's year-end Financial Statements are required to be audited whereas the Group's interim Financial Statements are subject to only a limited review by independent audit firms.

Bank are required to consolidate their financial statements on a quarterly basis in accordance with certain consolidation principles established by the SBS.

EY was appointed as the Group's auditor for 2022 and 2023 in the Bank's ordinary General Assembly Meeting in each of such years whereas KPMG was appointed as the Group's auditor for 2021. The information as of and for the years ended December 31, 2022 and 2023 in the Consolidated Annual Financial Statements and Unconsolidated Annual Financial Statements was audited by EY as stated in its report included within each such Financial Statements.

The information as of and for the year ended December 31, 2021 included in the Consolidated Annual Financial Statements as of and for the year ended December 31, 2022 (except for the reclassifications as described in Note 2(h) of the Consolidated Annual Financial Statements as of and for the year ended December 31, 2022) was audited by the Bank's prior independent auditor KPMG. The information as of and for the year ended December 31, 2021 included in the Unconsolidated Annual Financial Statements as of and for the year ended December 31, 2022 (except for the reclassifications as described in Note 2(g) of the Unconsolidated Annual Financial Statements as of and for the year ended December 31, 2022) were audited by the Bank's prior independent auditor KPMG.

The auditor for 2024 is intended to be selected at the Bank's next ordinary General Assembly Meeting, currently expected to be held in March 2024.

SHARE CAPITAL AND OWNERSHIP

Share Capital

As of December 31, 2023, the Bank's issued capital consisted of 8,147,210,701 fully subscribed and paid common shares. The total shareholder's equity of the Group as of such date amounted to S/12,369,668 thousand (see "Capitalization of the Group"). The Bank's articles of association require that the Bank's shares are issued against cash payment and are registered.

Ownership

Holding Continental owns 46.12% and BBVA Perú Holding owns 46.12% of the Bank's common shares; *however*, as BBVA manages the Bank, the Bank is a member of (and consolidates into) the BBVA Group. The remaining 7.76% of the Bank's common shares is held by other entities, including pension funds administered by Prima AFP S.A., AFP Integra S.A. and Profuturo AFP S.A. None of these other entities own on an individual basis more than 5.00% of the Bank's common shares. See "The Group and its Business – History – Ownership" for further information on the BBVA Group and Grupo Breca.

BBVA

The BBVA Group is a global retail financial group founded in 1857 that provides its customers around the world a full range of financial and non-financial products and services. As of December 31, 2023, the BBVA Group had a presence in over 30 countries and had over 121,000 employees. As of such date, the BBVA Group's consolidated total assets were €776 billion (€713 billion as of December 31, 2022 and €663 billion as of December 31, 2021) and its net attributable profit for 2023 was €8.0 billion (€6.4 billion for 2022 and €4.6 billion for 2021).

The BBVA Group is a highly diversified international financial group, with strengths in the traditional banking businesses of retail banking, asset management and wholesale banking. On an operational basis, the BBVA Group subdivides its business into the following geographic business areas: Spain, Eurasia, Mexico, South America and the United States. Due to the increasingly competitive landscape in Europe in the mid-1990s, the BBVA Group entered the Latin American market, which it saw as an under-served region with significant growth potential. The BBVA Group currently has a significant presence in Latin America, with interests in banks and insurance companies in Argentina, Bolivia, Brazil, Chile, Colombia, Mexico, Perú, Uruguay and Venezuela. As of December 31, 2023, 58% of the employees, 52% of the branches, 62% of the net income and 31% of the assets of the BBVA Group came from the Americas.

Grupo Breca

Grupo Breca, a Peruvian group associated with the Brescia family, is one of the largest corporate conglomerates in Perú. Its investment portfolio covers numerous economic sectors, including banking, insurance and health, industrials, mining, tourism, real estate, fishing, agribusiness and specialized services. Several members of Grupo Breca are publicly listed on the BVL. Grupo Breca also has investments in Brazil and Chile.

RELATED PARTY TRANSACTIONS

The Peruvian Banking Law regulates and limits transactions with related parties and affiliates of financial institutions, on an unconsolidated basis. See “Supervision and Regulation - Lending Limits – Lending to Related Parties.”

As described in “Share Capital and Ownership,” the Bank is controlled by BBVA and also has a large investment from Grupo Breca. The Group has entered into transactions with members of the BBVA Group and Grupo Breca as well as with members of the Brescia family and directors and senior management of the Bank and other Group companies (as well as with the close members of family and entities controlled or jointly controlled by those persons), in the normal course of business. The list of the members of the Board of Directors of the Bank and its senior management is presented in “Management.”

The following tables set forth information on the Group’s transactions with related parties, including the related income and expenses, in each case, for the indicated date or applicable period.

	As of December 31,		
	2021	2022	2023
Consolidated statement of financial position items	<i>(Soles thousands)</i>		
<i>Assets</i>			
Cash and due from banks.....	364,274	387,945	373,523
Loan portfolio, net.....	850,862	294,808	636,590
Trading derivatives.....	595,009	534,942	555,569
Other assets, net.....	596,695	243,782	322,362
<i>Liabilities</i>			
Obligations with the public and deposits from financial institutions.....	701,689	557,785	1,282,108
Debts and financial obligations.....	819,131	783,588	761,950
Trading derivatives.....	1,073,330	485,656	311,226
Provisions and other liabilities.....	199,558	575,319	549,406

	As of December 31,		
	2021	2022	2023
Off-balance Sheet Items	<i>(Soles thousands)</i>		
Indirect loans.....	36,145	83,672	168,585
Derivative instruments.....	23,350,904	18,595,816	19,688,766

	As of December 31,		
	2021	2022	2023
Income and Expenses	<i>(Soles thousands)</i>		
Interest income.....	1,981	1,244	1,733
Interest expenses.....	(35,969)	(44,255)	(46,541)
Financial service income.....	948	7,513	8,807
Profit or loss from financial transactions, net.....	(12,745)	(13,499)	(13,816)
Administrative expenses.....	(156,602)	(307,124)	(354,066)
Other income and expenses, net.....	11	16	11

SUPERVISION AND REGULATION

General Overview of the Peruvian Financial Regulatory Framework

Peruvian banking regulation follows the standards set by the Basel Committee. Peruvian banks and other Peruvian financial institutions are primarily governed by two banking regulatory authorities: the SBS and the Central Bank. The Peruvian Constitution establishes that the SBS' main function and responsibility is to protect depositors of the Peruvian financial system, while the main function of the Central Bank is to preserve monetary stability. In addition, Peruvian banks are subject to certain regulations of the SMV and other governmental authorities.

The regulatory framework for the operation of the Peruvian financial and insurance sector is set forth in the Peruvian Banking Law, which was enacted in December 1996. The Peruvian Banking Law regulates Peruvian financial and insurance companies and private pension funds administrators. In accordance with the Peruvian Banking Law, the SBS is responsible for issuing banking regulations and for monitoring the Peruvian banking financial and insurance sector. The SBS supervises and regulates financial institutions such as commercial banks, financial companies, financial leasing companies, small business financial companies, savings and loan corporations, financial services companies (such as trust companies and investment banks), insurance companies, private pension fund administrators and savings and loans cooperatives (other financial institutions such as stock brokerage houses and mutual fund managers are subject to different legal frameworks and to the supervision of the SMV). The SBS became operational in 1931.

Financial institutions must seek the authorization of the SBS before initiating operations. The SBS, which has its head office in Lima, has administrative and financial autonomy (*i.e.*, it does not receive funding from the national budget). The current chairman of the SBS, Ms. Maria del Socorro Heysen Zegarra, was appointed by former President Kuczynski in August 2016.

In June 2011, the Basel Committee announced the issuance of the Basel III principles. The changes introduced have been designed to be implemented progressively. The SBS, by use of its regulatory attributes, has issued several regulations that seek to adapt the Peruvian financial system to the new Basel Capital Accords.

On December 23, 2021, SBS Resolution No. 3921-2021 amended requirements to cover market concentration risk and gave financial institutions a term of two years to adequate to new requirements. Consistent with certain aspects of Basel III, the SBS issued SBS Resolutions No. 03953-2022 and 03954-2022 in 2022 in order to update the methodologies for calculating the individual and sector concentration risk buffers (including regional and economic sector concentrations) eliminating the capital buffer requirement for risk appetite and maintaining the requirement for measuring the interest rate risk of the banking book. Legislative Decree No. 1531 and SBS Resolution No. 03954-2022 aligned the capital conservation buffer in Peruvian law to the Basel III principles.

In March 2022, the Peruvian Banking Law was amended by Legislative Decree No. 1531 (which became effective on January 1, 2023) to adapt the regulations applicable to companies of the financial system related to the composition of the effective equity to the Basel III principles. In December 2022, the SBS issued various resolutions described below aimed at adapting the regulatory framework of the financial system more generally to Basel III principles.

In December 2022, the SBS issued the Subordinated Debt Regulation in order to adjust the application of Basel III standards and to reflect recent amendments to the Peruvian Banking Law.

As noted, Peruvian banks, financial institutions and insurance companies are mainly regulated and supervised by the following administrative institutions:

The SBS

The SBS is the regulatory authority charged with the implementation and enforcement of the requirements contained in the Peruvian Banking Law and, more generally, with the regulation and supervision of all financial and insurance companies in Perú and, since July 2005, the private pension funds administrators. Its objectives include: (a) protecting the public interest, (b) safeguarding the financial stability of the institutions over which it has authority and (c) punishing violators of its regulations.

The SBS' main responsibilities include: (a) reviewing and approving, with the assistance of the Central Bank, the establishment, organization and operations of the institutions it regulates and their subsidiaries, (b) overseeing mergers, dissolutions and reorganizations of banks, financial institutions and insurance companies, (c) supervising financial, insurance and related companies, from which information on an individual or consolidated basis is required, through changes in ownership and management control (this supervision also applies to non-bank holding companies), (d) reviewing the by-laws of these companies, (e) setting forth criteria governing the transfer of bank shares, when permitted by law, for valuation of assets and liabilities and for minimum capital requirements, (f) controlling the Bank Risk Assessment Center (*Central de Riesgos*), to which all banks are legally required to provide information regarding all businesses and individuals with whom they deal without regard to the amount of credit risk (the information provided is made available to all banks to allow them to monitor individual borrowers' overall exposure to Perú's financial system), and (g) supervising the anti-money laundering system.

The SBS enforces the Peruvian Banking Law on an ongoing basis through periodic resolutions. The Peruvian Banking Law provides for stringent loan loss reserve standards, brings asset risk-weighting in line with the Basel Committee guidelines and includes the supervision of holding companies of financial institutions by the SBS.

For the foregoing purpose, the SBS requires banks, financial and insurance companies to report, on a periodic basis, all relevant information necessary for off-site evaluation of its financial performance. The relevant information for off-site evaluation includes audited financial statements on a consolidated basis, board of directors' reports, auditor's reports and any other reports that reflect the operation of a bank's business. Under current practice, such reporting is required on a daily, weekly, monthly, quarterly and semi-annual basis, depending upon the nature of the reported information.

The SBS is also responsible for conducting on-site examinations of banks on an annual basis, implementing the provisions of the Peruvian Banking Law and other related legislation, examining all banking and insurance operations and analyzing the relationship among assets, liabilities, net worth, profit and loss accounts and all other factors affecting a bank's financial structure.

The SBS has the power to impose administrative sanctions on financial institutions and their directors and employees as a result of any violation of the Peruvian financial and insurance system's rules, with sanctions varying from monetary fines to license cancellation. The SBS may also sanction directors and other officers of financial institutions for breach of regulations under the supervision of the SBS.

The Central Bank

The Central Bank was incorporated in 1922. Pursuant to the Peruvian Constitution, the Central Bank's primary role is to ensure the stability of the Peruvian monetary system and perform the functions common to a central or reserve bank, such as issuing bank notes, implementing governmental monetary policies, regulating the money supply, managing official gold and foreign exchange reserves and managing the interbank cash clearance system. The Central Bank exercises its power and authority independently and is responsible for its affairs in accordance with its constitutional mandate and Law No. 26123. The Central Bank is empowered to determine the inflation target and to adopt monetary policy in accordance therewith, including being responsible for establishing mandatory minimum liquidity reserves for banks and other financial intermediaries that are licensed to operate in Perú. The Central Bank manages Perú's international reserves and gathers and publishes data on Perú's finances and is also the sole issuer of Peruvian currency.

In addition, Law No. 29440 designated the Central Bank as the governing body of the Peruvian payment system, empowering it to issue regulations related to the functioning of the Peruvian payment system.

The highest decision-making authority within the Central Bank is its seven-member Board of Directors. Each Director serves a five-year term. Of the seven Directors, four are selected by the President and three are selected by Congress. The Chairman of the Central Bank is one of the President's nominees but must be approved by Congress. The Central Bank's Board of Directors develops and oversees monetary policy, establishes reserve requirements for entities within the financial system and approves guidelines for the management of Perú's international reserves. All entities within the financial system are required to comply with the decisions of the Central Bank.

The SMV

The SMV is the Peruvian securities market regulatory authority, the main purpose of which is promoting, overseeing and regulating the Peruvian securities market, supervising and controlling all individuals and entities that intervene in such market and enforcing compliance with the provisions of the Peruvian Securities Market Law and its regulations.

Pursuant to Article 29 of the Peruvian Banking Law, all shares issued by Peruvian banks must be registered with the SMV and listed with the BVL. According to the Peruvian Securities Market Law and its regulations, listed companies are required to file with the SMV and the BVL, in Spanish and on a going forward basis, quarterly and annual financial reports.

In addition, such companies are required to disclose to the market in a timely manner (on the same day when the event occurs) all information that their investors are reasonably likely to consider material. Specific regulations provide for specific parameters to determine what is considered material information (*hechos de importancia*). By virtue of the regulations related to the disclosure of material information, issuers under the supervision of the SMV are required to disclose all material information in connection with such issuer and its activities or securities issued or secured by such issuer that might influence the liquidity or price of such securities. In addition, issuers whose securities are also traded in foreign markets must file with the SMV all information that is required to be disclosed to investors on such foreign market as soon as such information is delivered to foreign regulators.

Banking Regulation and Supervision

Banking regulations and capital adequacy in Perú take into account the recommendations of the Basel Committee. The SBS has adopted the principles and guidelines of Basel II and Basel III. In addition, the SBS has mandated a minimum regulatory capital requirement for Peruvian banks. In 2022, the SBS also issued resolutions that follow the three objectives for Basel III (*i.e.*, increased capital, establishment of liquidity standards and improvement in the quality of capital); *however*, the implementation of other Basel III principles, such as the net stable funding ratio, have yet to be implemented in Perú.

Basel III

Capital Adequacy Requirements

Under the amended provisions of Article 199 of the Peruvian Banking Law, and on an unconsolidated basis, the regulatory capital (*patrimonio efectivo*) of a bank may not be lower than 10.0% of its total risk-weighted assets, the latter being defined as the sum of: (a) the regulatory capital allocated to cover market risks *multiplied by* the inverse of the overall limit (*límite global*), (b) the regulatory capital allocated to cover operational risks *multiplied by* the inverse of the overall limit (*límite global*) and (c) the total amount of credit risk-weighted assets. Notwithstanding the foregoing, according to SBS Resolution No. 03952-2022 (the “*Regulatory Capital Amendment*”) published on December 27, 2022 (and revised on January 26, 2024), the SBS established a gradual implementation schedule (increasing in steps from 8.5% for January to March 2023 to 9.0% from April 2023 to August 2024, 9.5% from September 2024 to February 2025 and 10.0% for March 2025 and thereafter). According to Articles 184 and 185 of the Peruvian Banking Law, regulatory capital is defined as the sum of Tier I Regulatory Capital and Tier II Regulatory Capital.

In addition, Article 199 of the Peruvian Banking Law provides that: (a) ordinary Tier I capital shall be equal to or higher than 4.5% of a financial institution’s total risk-weighted assets and (b) total Tier I Regulatory Capital (*i.e.*, both “ordinary” and “additional”) shall be equal to or higher than 6.0% of a financial institution’s total risk-weighted assets.

Tier I regulatory capital (the “*Tier I Regulatory Capital*”) (in Spanish: *patrimonio efectivo básico o de nivel 1*) of a bank or other financial institution pursuant to the Subordinated Debt Regulation (as calculated in accordance with article 184(1) of the Peruvian Banking Law and other Peruvian law) is comprised of: (a) its ordinary equity (which includes common stock and other paid-in capital instruments), capital premiums, dividends, unrealized gains, legal and voluntary reserves, donations and other elements as defined by the SBS (which together are used for purposes of calculating a bank’s ordinary Tier I capital ratio) and (b) additional Tier I regulatory capital, which includes capital instruments, capital premiums and certain subordinated debt, premiums of such instruments and other elements as defined by the SBS. Tier I ordinary capital is subject to, among others, the following deductions: losses of prior years and of the current year, unrealized losses, any provisions deficit, goodwill resulting from corporate reorganizations and acquisitions, deferred tax assets, investments in Tier I regulatory securities of other financial institutions, investment in the bank’s own shares (*i.e.*, treasury stock) and others as mandated by the SBS. Additional Tier I regulatory capital is

subject to, among others, the following deductions: holdings, directly or indirectly, of: (i) equity and/or subordinated debt instruments eligible for additional Tier I regulatory capital issued by the bank or other financial institution itself and held in treasury, (ii) investments in equity and/or subordinated debt instruments eligible for additional Tier I Regulatory Capital issued by other companies of the financial system or the insurance system, domestic or foreign, and (iii) others as mandated by the SBS through general regulations.

Tier II regulatory capital (the “*Tier II Regulatory Capital*”) (in Spanish: *patrimonio efectivo de nivel 2*) of a bank or other financial institution pursuant to the Subordinated Debt Regulation (as calculated in accordance with article 184(2) of the Peruvian Banking Law and other Peruvian law) consists of: (a) equity and subordinated debt instruments, not included in Tier I Regulatory Capital, that meet the conditions set forth by the SBS, (b) premiums of such instruments, (c) general provisions up to 1.25% of the assets and contingencies weighted by credit risk when the standard method is used to determine the regulatory capital requirement for credit risk and (d) other elements as defined by the SBS. Tier II regulatory capital is subject to, among others, the following deductions: holdings, directly or indirectly, of: (i) equity and/or subordinated debt instruments eligible for additional Tier II Regulatory Capital issued by the bank or other financial institution itself and held in treasury, (ii) investments in equity and/or subordinated debt instruments eligible for Tier II Regulatory Capital issued by other companies of the financial system or the insurance system, domestic or foreign, and (iii) others as mandated by the SBS through general regulations.

As part of the implementation of the Basel III standards, the SBS issued the Subordinated Debt Regulation to establish new rules applicable to subordinated debt, which resolution became effective on January 1, 2023; *however*, subordinated debt incurred or created prior to its enactment will still be considered in the calculation of regulatory capital. The Subordinated Debt Regulation made a distinction between two types of subordinated debt: (a) “Tier I Non-redeemable Subordinated Debt” (computable to Tier I Regulatory Capital only as additional Tier I Regulatory Capital) and (b) “Tier II Redeemable Subordinated Debt” (computable to Tier II Regulatory Capital). For the purposes of the Subordinated Debt Regulation, non-redeemable debt means that its principal amount is not amortized and generates perpetual periodic return, whereas redeemable debt means that its principal amount is required to be redeemed within a specified period of time. Further details on such categories of debt are set out below.

Banks are required to prepare and submit to the SBS, within the first 15 days of each month, a report analyzing the bank’s assets for the previous month and the total amount of the bank’s regulatory capital. Foreign currency-denominated assets are valued in Soles at an average exchange rate published by the SBS in effect as of the date of such report. The SBS establishes the periodicity, format and other pertinent conditions of the reports to be submitted by Peruvian banks, which reports must include: (a) the minimum capital ratios, (b) the positions affected by certain risks and (c) financial statements and other matters considered relevant by the SBS.

In accordance with the Regulatory Capital Amendment, which entered into force on January 1, 2023, the 1,000% factor for risk-weighted assets for intangibles (excluding goodwill), deferred tax assets that originate from operating losses and deferred tax assets that exceed the threshold of 10% of “adjusted total capital” were removed from the computation of regulatory capital. To replicate the deductions established by Basel III, deferred income tax assets net of deferred income tax liabilities arising from temporary differences that do not exceed the threshold of 10% of Tier I Regulatory Capital receive a weighting factor of 250%.

Additional Tier I Debt

As noted above, the Subordinated Debt Regulation provides guidelines for “Tier I Non-redeemable Subordinated Debt,” which is computable to Tier I Regulatory Capital only as “additional” Tier I Regulatory Capital. Such Tier I Non-redeemable Subordinated Debt must have no expiration date or step-up incentives for early redemption, although it may contain a redemption option exercisable by the issuer after five years subject to:

(a) there being no expectation that the option will be exercised, and

(b) either: (i) such debt being previously or simultaneously replaced with another security that meets the characteristics of additional Tier I Regulatory Capital or an instrument that is part of the issuer’s ordinary Tier I Regulatory Capital or (ii) the financial institution demonstrating that, after the exercise of the redemption option, the issuer’s effective regulatory capital will be above the minimum regulatory requirements (such calculation being subjected to the review of SBS and approved or rejected at SBS’ discretion).

In addition, such Tier I Non-redeemable Subordinated Debt must: (A) be subordinated to the deposit accounts of all individuals and corporations that maintain banking accounts opened at the relevant financial institution, general creditors and creditors of Tier II

Regulatory Capital and (B) contain a mechanism to absorb losses on a *pro rata* and *pari passu* basis through conversion into common shares or temporary or permanent write-off until ordinary Tier I Regulatory Capital between total risk-weighted assets and contingent capital reaches 6.0%. In the event of Surveillance, Intervention or dissolution and liquidation of the financial institution, Tier I Non-redeemable Subordinated Debt is required to be used to absorb losses after the use of any ordinary Tier I Regulatory Capital (*e.g.*, common shares) and additional Tier I Regulatory Capital (in that order).

Tier II Rules

As noted above, the Subordinated Debt Regulation provides guidelines for “Tier II Redeemable Subordinated Debt,” according to which debt instruments must meet the following requirements in order to qualify as Tier II Regulatory Capital (the “*Tier II Conditions*”):

- (a) the debt shall have been approved by the SBS and shall have been fully disbursed in cash,
- (b) the debt must have an initial maturity of at least five years and shall not include any provision that may incentivise prepayment, such as dividends and interest rate step-ups (adjustments to the interest rate will not be considered as a step-up provided that the implicit spread for the initial rate is not increased for the adjusted rate),
- (c) if the debt includes a prepayment option, then such option may be exercisable no earlier than five years after the incurrence of the debt and only with the approval of the SBS, and provided that: (i) there must be no expectation under its terms that such option will be exercised and (ii) either: (A) such debt must be previously or simultaneously replaced with another debt that meets the characteristics of Tier II Regulatory Capital or (B) the financial institution must demonstrate that, after the redemption, its regulatory capital will be above the minimum regulatory requirements (such calculation being subjected to the review of SBS, which may approve or reject at its sole discretion),
- (d) in the event of dissolution of the bank, the tier II debtholders must have priority in right of payment over holders of debt that is included in additional Tier I Regulatory Capital and must be subordinated with respect to rights of deposit holders and all other creditors, and
- (e) the debt shall not provide creditors with the right to demand early amortization except for during a bankruptcy or dissolution process relating to the debtor.

As a component of Tier II Regulatory Capital, the amount of outstanding redeemable subordinated debt, such as the Notes, including interest and principal, in that order and on a *pro rated* basis and *pari passu* among themselves, is to be used by the SBS upon the Intervention of a bank to absorb losses that are incurred by such bank. Accordingly, pursuant to the Peruvian Banking Law and regulations promulgated thereunder, during an intervention of a bank by the SBS or a dissolution and liquidation of a bank, any losses of such bank are to be absorbed first by the instruments that qualify as Tier I Regulatory Capital, second by equity instruments that qualify as Tier II Regulatory Capital and, third, by subordinated debt (such as the Notes) that qualifies as Tier II Regulatory Capital, in that order. For a more detailed explanation of the intervention regime, see “Intervention by the SBS and Dissolution” below.

The only portion of redeemable subordinated debt that is eligible to be included in Tier II Regulatory Capital in its entirety is the aggregate outstanding amount of subordinated debt that has a term to maturity equal to or greater than five years. The percentage of redeemable subordinated debt eligible to be included in Tier II Regulatory Capital decreases at a 20% discount rate *per annum* during the five-year period prior to maturity as follows:

<u>Maturity</u>	<u>Discount Rate</u>
Less than or equal to one year	100%
More than one year but less than two years	80%
More than two years but less than three years	60%
More than three years but less than four years	40%
More than four years but less than five years	20%

Further Implementation of Basel III Principles

In addition to the Subordinated Debt Regulation and the Regulatory Capital Amendment described above, the SBS (in accordance with Legislative Decree No. 1531) issued a series of regulations relating to Basel III starting in August 2022, including to update the methodologies for calculating the individual and sector concentration risk buffers (including regional and economic sector concentration), eliminating the capital buffer requirement for risk appetite, maintaining the requirement for measuring the interest rate risk of the banking book and aligning the conservation buffer in Peruvian law to the Basel III principles. These include:

(a) the Regulation on the Computation of Reserves, Earnings, Donations and Capital Instruments in the Regulatory Capital of Financial Entities (in Spanish: *Reglamento de Cómputo de Reservas, Utilidades, Donaciones e Instrumentos Representativos de Capital en el Patrimonio Efectivo de las Empresas del Sistema Financiero*) (SBS Resolution No. 03951-2022) (the “*Reserve Calculation Regulation*”),

(b) an amendment to the Regulation for the Regulatory Capital Requirements for Credit Risk (in Spanish: *Modificación del Reglamento para el Requerimiento de Patrimonio Efectivo por Riesgo de Crédito*) (the “*Regulatory Capital Requirements Regulation*”) (SBS Resolution No. 03952-2022),

(c) the Regulation for the Regulatory Capital Requirements for Additional Risks (in Spanish: *Reglamento para el Requerimiento de Patrimonio Efectivo por Riesgos Adicionales*) (SBS Resolution No. 03953-2022) (the “*Additional Capital Regulation*”),

(d) the Regulation of the Requirement for Conservation, Economic Cycle and Market Concentration Risk Buffers (in Spanish: *Reglamento para el Requerimiento de Colchones de Conservación, por Ciclo Económico y por Riesgo por Concentración de Mercado*) (SBS Resolution No. 03954-2022) (the “*Risk Buffer Regulation*”), and

(e) an amendment to a group of regulations, including the Regulation for Regulatory Capital Requirement for Market Risk (in Spanish: *Modificación del Reglamento para el Requerimiento de Patrimonio Efectivo por Riesgo de Mercado*) and the Regulation for Regulatory Capital Requirement for Operational Risk (in Spanish: *Modificación del Reglamento para el Requerimiento de Patrimonio Efectivo por Riesgo Operacional*) (SBS Resolution No. 03955-2022) (the “*Market and Operational Risk Regulations*”).

Reserve Calculation Regulation. The Reserve Calculation Regulation provides the methodologies for the calculation of different components of a bank’s regulatory capital (*i.e.*, reserves, profits, donations and equity instruments) so as to make them consistent with Basel III principles.

Regulatory Capital Requirements Regulation. The Regulatory Capital Requirements Regulation was amended primarily to adapt its provisions to Article 199-B of the Peruvian Banking Law, which provides that companies must have a process to evaluate the adequacy of their regulatory capital based upon their risk profile and that the SBS establishes the effective equity requirements for additional risks. These amendments were introduced to continue adapting the regulatory framework to the Basel III standard.

Additional Capital Regulation. The Additional Capital Regulation provides the methodologies for the calculation of a bank’s regulatory capital requirements for additional risks (in Spanish: *requerimiento de patrimonio efectivo por riesgos adicionales*) so as to make them consistent with Basel III principles. In particular, this regulation seeks to better capture the individual concentration risk. Pursuant to this regulation, the main components for the calculation of the regulatory capital requirements for additional risks are concentration risks and the interest rate in banking book risks.

Risk Buffer Regulation. The Risk Buffer Regulation updated the methodologies for calculating individual and sector concentration risk buffers in compliance with Basel III standards. This regulation describes four types of risk buffers, to be gradually implemented, namely: (a) the Capital Conservation Risk Buffer, (b) the Economic Cycle Risk Buffer, (c) the Market Conservation Risk Buffer and (d) the Combined Risk Buffer, each of which is described below.

The Capital Conservation Risk Buffer provides that companies must accumulate a risk buffer (over the requirements in Article 199 of the Peruvian Banking Law) to be used when losses have been incurred during periods of stress. The minimum risk buffer must be 2.5% of total risk-weighted assets and contingent liabilities, which is determined based upon the methodology

described in the Risk Buffer Regulation. Non-compliance with this minimum requirement would result in the application of restrictions in connection with: (a) the repurchase of shares that qualify as Tier I Regulatory Capital and (b) the distribution of profits to Tier I Regulatory Capital (e.g., dividends), except for the distribution of dividends in shares charged to the prior year's earnings (up to 60.0% for a deficit less than or equal to 25.0%, 40.0% for a deficit greater than 25.0% and less than or equal to 50.0% and 20.0% for a deficit greater than 50.0% and less than or equal to 75.0%; a deficit greater than 75.0% does not allow such distribution). In connection with the implementation of Basel III standards, the SBS has issued several regulations to increase gradually the minimum total capital ratio for Peruvian financial institutions until 2026.

The Economic Cycle Risk Buffer serves to counteract fluctuations in the economic cycle by recalibrating the marginal weighting factors of credit risk-weighted assets used for the calculation of this buffer based upon the Additional Capital Regulation. The Economic Cycle Risk Buffer can be divided into "accumulation" and "de-accumulation." Accumulation means that ordinary Tier I Regulatory Capital must be maintained above the minimum requirements of Article 199 of the Peruvian Banking Law, for the amount resulting from applying the calculation methodology chosen by the financial institution (*i.e.*, the standardized approach or the IRB methodology). In cases of non-compliance, restrictions will apply in connection with: (a) the repurchase of shares that count towards Tier I Regulatory Capital and (b) the distribution of profits to Tier I Regulatory Capital (e.g., dividends), except for the distribution of dividends in shares. "De-accumulation" means that the buffer is no longer required (*i.e.*, the requirement is zero) and accumulated Tier I Regulatory Capital can be used to cover the economic cycle buffer requirement. The calculations related to the Economic Cycle Risk Buffer are required to be conducted: (i) monthly when the rule is activated and the requirement is in force and (ii) at the time when the rule is deactivated such that the requirement ceases to be in force.

The Market Conservation Risk Buffer seeks to counteract negative effects on the stability of the system and Perú's economic activity resulting from the potential financial deterioration of large, highly interconnected, difficult to substitute and highly complex companies. It employs, for the purposes of its calculation, a "market concentration risk indicator" that considers aspects related to size, interconnection, substitutability and financial infrastructure as well as the complexity of the companies in the financial system. This risk buffer applies to: (a) banks, (b) investment banks and (c) Peruvian multiple operating companies that are part of a bank's economic group.

Finally, the Combined Risk Buffer is the sum of the requirements of the Capital Conservation Risk Buffer, the Economic Cycle Risk Buffer and the Market Conservation Risk Buffer. In addition to compliance with each individual buffer, this combined buffer requirement must be covered with ordinary Tier I Regulatory Capital. The methodology for its calculation is as follows: (a) ordinary Tier I Regulatory Capital (after covering the requirement set forth in Article 199 of the Peruvian Banking Law) *minus* (b) the portion of ordinary Tier I Regulatory Capital that covers the Capital Conservation Risk Buffer, the Economic Cycle Risk Buffer and the Market Conservation Risk Buffer. If a company fails to comply with such requirements, then it may continue its operations; *however*, it may not: (i) repurchase its shares that count towards Tier I Regulatory Capital or (ii) distribute profits to Tier I Regulatory Capital (e.g., dividends), except for the distribution of dividends in shares.

Market and Operational Risk Regulations. The Market and Operational Risk Regulations provides the methodologies for the calculation of a bank's regulatory capital requirements for market risks and the regulatory capital requirements for operational risks so as to make them consistent with Basel III principles. Please refer to the "Market Risk" and "Operation Risk" sections below for further detail regarding these methodologies.

Liquidity Requirements of Basel III Principles

SBS Resolution No. 9075-2012 requires a bank to calculate its liquidity coverage ratio, which seeks to ensure the maintenance of adequate levels of high-quality liquidity assets that could easily be converted into cash to meet liquidity needs, during a 30-calendar day period, under a stress liquidity scenario. High-quality liquidity assets are defined as assets that are easily and immediately convertible into cash, with minimum or no loss of value, during the period of stress.

Since January 1, 2024, liquidity coverage ratio rules have been adjusted to conform to Basel III standards by setting new criteria for the classification of high-quality liquidity assets.

Pursuant to SBS Resolution No. 4221-2023, banks will be required to calculate a net stable funding ratio starting in December 2024.

Classification of the Loan Portfolio

The provision for loan losses is calculated and recorded in accordance with SBS Resolution No. 11356-2008, which sets parameters to determine the calculation of provisions based upon formulas and the use of specific percentages over the balances of loans and collateral received. For example, banks must consider certain criteria with respect to the borrower, including (*inter alia*) collateral, credit category, the borrower's liquidity and the borrower's equity and outstanding debt. In addition, it requires constitution of general provisions based upon the total loan portfolio, including general provisions for loans that are not NPLs. The provisions that result from such classification differ materially from the provisions that would result from the application of IFRS. For a discussion of the Bank's loan portfolio classification policies and the resulting provisions, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies – Provisions for Loan Losses," "Selected Statistical and Other Information – Loan Portfolio – Loan Portfolio Risk Classification" and "– Allowance for Credit Losses" and notes 3.e and 7 to the Consolidated Annual Financial Statements as of and for the year ended December 31, 2023. See also Appendix A ("Overview of Differences between IFRS and Peruvian GAAP").

Risk of Over-Indebtedness by Consumer Banking Customers

According to SBS Resolution No. 6941-2008, banks and other financial entities must adopt a system to manage the risk of over-indebtedness by consumers that: (a) allows the mitigation of such risk before and after making a consumer loan, (b) permits the performance of a permanent monitoring of the portfolio to identify over-indebted consumer borrowers and (c) includes the periodic evaluation of the control mechanisms being used and of the corrective actions or required improvements, as the case may be. The board of directors of banks and other financial entities are responsible for: (i) establishing and reviewing the policies and proceedings for the identification, measuring, treatment, control, reporting and monitoring of the risk from the level of indebtedness of consumer customers and (ii) causing the management to adopt the necessary measures to monitor and control such risks. In addition, the board of directors must cause the bank and/or financial entity to have: (A) an organizational structure that guarantees total independence on this topic between the risk and commercial divisions and (B) incentive schemes for employees' performance that do not cause a conflict of interest with these risk management policies. Banks and financial entities that are not able to monitor, control and identify the risk of over-indebtedness by their consumer customers are obligated to maintain a special loan loss reserve.

Legal Reserve Requirements

Pursuant to Article 67 of the Peruvian Banking Law, all banks must create a legal reserve, which reserve is used to cover a bank's losses remaining after first applying such bank's proceeds not distributed and facultative reserves. Each year a bank must allocate 10% of its net income to its legal reserve until its legal reserve is equal to at least 35% of its paid-in capital. Any subsequent increases in paid-in capital will imply a corresponding increase in the required level of the legal reserves to be so funded.

Country Risk Reserve Requirements

SBS Resolution No. 7932-2015, enacted in December 2015, requires the funding of reserves to cover exposure to country risk, which is defined to include sovereign risk, transfer risk and expropriation or nationalization risk, all of which might affect operations with companies or individuals in foreign countries. The SBS has also established guidelines indicating the procedures and responsibilities necessary for managing country risk.

Lending Limits

Under Article 206 of the Peruvian Banking Law, the total amount of direct and indirect credits and financings granted in favor of a person shall not exceed 10% of the bank's regulatory capital. For purposes of the Peruvian Banking Law, a single borrower includes an individual or an economic group. An economic group constituting a single or common risk, according to the Peruvian Banking Law, includes a person, such person's close relatives and companies in which such person or close relatives has/have significant share ownership or decision-making capability. Shareholders who own or control directly or indirectly at least 4% of a company's shares are considered to share common risk with such company. Significant decision-making capability is deemed to be present when, among others, a person or group can exercise material and continuous influence upon the decisions of a company, when a person or company holds seats on the board of directors or has principal officers in another company or when it can be assumed that one company or person is the beneficial recipient of credit facilities granted to another company.

The 10% limit indicated above is raised to 15%, 20% or 30% depending upon the type of collateral securing the excess over each limit. For instance, the limit is extended to 15% when the excess is secured by a mortgage, it is raised to 20% when the excess is collateralized with securities listed in the Selective Index of the BVL (ISBVL) and it is raised to 30% when the excess is secured with deposits that are maintained and pledged with the bank.

Other special lending limits must also be taken into account, such as lending to related parties or affiliates (30% of regulatory capital), to local banks (30%) and to foreign banks (from 5% for non-regulated banks to 30% for first category international banks, which is raised to 50% when backed by letters of credit). There are other limits that require banks to diversify their portfolio through different types of assets, prioritizing liquid and low-risk assets.

Lending to Related Parties

The Peruvian Banking Law regulates and limits transactions with related parties and affiliates of financial institutions, on an unconsolidated basis. In 2015, the SBS and the SMV enacted new regulations containing definitions of indirect ownership, related parties and economic groups, which serve as the basis for determining limits on transactions with related parties and affiliates. These regulations also provide the basis for the subsequent development of specific supervision standards of financial institutions and conglomerates formed by financial institutions.

Additionally, pursuant to Article 202 of the Peruvian Banking Law, the aggregate amount of loans to related party borrowers may not exceed 30% of a bank's regulatory capital (exceptionally, according to Circular B-2148-2005, the amount of loans to related parties may not exceed 50% of a bank's regulatory capital to the extent that the excess over 30% is secured by letters of credit from foreign financial institutions). For purposes of this test, related party borrowers include any person or an affiliate of that person holding, directly or indirectly, 4% or more of a bank's capital stock, directors, certain of the bank's principal executive officers or other persons in more junior positions affiliated with the bank's management.

All loans to related parties must be made on an arm's-length basis with terms no more favorable than the best terms that would be offered to the public.

In addition, under Article 201 of the Peruvian Banking Law, the total amount of loans extended to directors, officers, employees or close relatives of any such persons may not exceed 7% of a bank's regulatory capital. All loans made to any single such related party borrower may not exceed 0.35% of a bank's regulatory capital (*i.e.*, 5% of the overall 7% limit), which calculation includes such person's spouse and relatives. In addition, the Peruvian Banking Law generally provides that banks may not extend credit to or guarantee the obligations of employees or members of the board of directors except for home mortgage loans to employees and directors.

Consumer Lending

As a general rule, interest rates within the Peruvian financial system are freely determined by the market; *however*, on March 18, 2021, the Peruvian Congress approved Law No. 31143 (*Law that Protects Financial Consumers from Usury*), which amended certain articles of the Central Bank's organic law, the Peruvian Banking Law and Law No. 28587 (*Complementary Law to the Consumer Protection Law on Matters of Financial Services*) in order to allow the Central Bank to establish maximum interest rates, exclusively, for the activities described in literal c) of Article 221 of the Peruvian Banking Law, which include consumer lending and lending to small and micro enterprises. The application of interest rates above such limits constitutes a criminal offense typified as usury under Article 214 the Peruvian criminal code. As of the date of this Offering Memorandum, the maximum interest rate is 101.86% for local currency operations and 82.94% for foreign currency operations. These interest rates are expected to be updated on May 1, 2024.

Other changes brought upon by Law No. 31143 provide a wider protection to consumers, including a prohibition on the capitalization of interest and the imposition of penalties or other commissions (in addition to default interest charges) upon default of the consumer. In addition, this law established that any commissions or expenses charged by financial institutions to consumers must involve the provision of services, additional and/or complementary to the operations contracted by users, effectively rendered, which costs must be real and provable through a technical report previously reviewed and approved by the SBS.

Risk Management

Various SBS regulations and other laws impose requirements on Peruvian banks and other financial institutions with respect to their management of credit, operational, market and other risks. In addition to the below discussion, please see “Risk Management” for details on the Bank’s risk management organization and procedures.

Integral Risk Management

Integral risk management is a process intended to identify potential events that might affect banks and to manage those events according to their nature and risk level. In January 2017, the SBS enacted SBS Resolution No. 272-2017 to provide guidelines for the integral risk management of financial institutions. This regulation covers various risks that might affect a banking operation, such as operational, market, credit, AML, liquidity and reputational risks. In addition, it introduced various changes focusing on corporate governance practices of financial institutions, including the following: (a) two or more independent directors must be appointed when boards are integrated by six or more members, (b) a remunerations committee must be formed and (c) concepts such as “risk appetite,” “risk capacity” and “risk limits” have been modeled after the Principles for an Effective Risk Appetite Framework of the Financial Stability Board.

In addition, in January 2023, the SBS approved SBS Resolution No. 00053-2023 c, which establishes minimum guidelines to mitigate the risks derived from the use of models in the management of credit, market, liquidity, operational, money laundering and terrorist financing risks of companies in the financial and insurance system. This regulation establishes the definition of model and model risks, the corporate governance framework for model risk management and the minimum guidelines for the development, validation, implementation, use and monitoring of such models. Its application is being phased-in from December 2023 through January 2026 due to the need to properly implement at the operational level adequate tools to assess the risks that are intended to be managed with the models and the categorization of the models used.

Credit Risk

Under SBS Resolution No. 14354-2009, financial institutions are allowed to use the standardized methodology or, with the prior approval of the SBS, an internal ratings-based (“*IRB*”) methodology for calculating their regulatory capital requirement for credit risk. As of the date of this Offering Memorandum, the Bank uses the standardized methodology. According to SBS Resolution No. 3780-2011, financial institutions are required to implement an organizational structure and certain control procedures in order to adequately manage credit risk.

Market Risk

Regulations for the supervision of market risks, first enacted in May 1998, require banks to establish internal policies and procedures to monitor these risks and impose market risk exposure limits. Regulations define market risk as the probability of loss derived from exposure to various classes of commodities, securities, foreign exchange, derivative operations or commercial assets that banks might hold in their portfolio, which might, or might not, be accounted for in their statements of financial position. SBS Resolution No. 6328-2009 (as amended by SBS Resolution 03955-2022) defines the methodology to be applied to calculate the regulatory capital requirement for market risks under both the standardized methodology and the *IRB* methodology.

Operational Risk

SBS Resolution No. 2115-2009 (as amended by SBS Resolution 03955-2022) defines the methodology to be applied by financial institutions in calculating their regulatory capital requirement for operational risk under the *IRB* methodology and the alternative standardized methodology. The *IRB* methodology, the application of which does not require the prior approval of the SBS, uses a bank’s gross operational margin as an “exposure indicator.” Application of the alternative standardized methodology requires compliance with certain provisions included in SBS Resolution No. 2115-2009 and prior approval from the SBS.

SBS Resolution No. 2116-2009 provides the guidelines for managing operational risk, defining “operational risk” as the possibility of suffering losses due to inadequate procedures, failures of personnel, IT or external events, including legal risks (but excluding strategic and reputational risk). It also establishes that a bank’s board of directors is responsible for designing the general policies to manage operational risk and that a bank’s management is in charge of implementing such policies. Furthermore, it provides that each bank is obligated to create a database of all of such bank’s losses due to operational risk, classifying such losses by event.

The Model Risk Regulation regulates how to manage risks that arise from the use of models to process information in financial institutions. Model risk is defined as the possibility of losses or adverse consequences arising from weaknesses in model development, validation, implementation, use and monitoring. The Model Risk Regulation further states that model risk can arise from inadequate specifications or methodologies, erroneous estimates, incorrect assumptions, calculation errors, inaccurate, inappropriate or incomplete data, inappropriate, improper or unforeseen use of the model, lack of understanding of the model's limitations and inadequate monitoring and/or controls. As noted above, this regulation is being phased-in from December 2023 through January 2026. Financial institutions within its scope, such as the Bank, are required to provide the SBS with assessments of their models in accordance with a schedule determined by the SBS.

Management of Legal Proceedings

SBS Resolution No. 2451-2021 establishes minimum procedures for the management, classification, reporting and creation of provisions in relation to legal proceedings. According to this resolution, financial institutions' boards of directors must approve policies and procedures covering such matters and fulfilling certain minimum requirements as set forth in the regulation. In addition, financial institutions must submit reports to the SBS semi-annually with information on all current litigation matters and, in particular, adverse legal proceedings that are classified as having a "probable" negative outcome.

The SBS may request, at any time, additional information on any specific litigation matter and make revisions to classifications and provisions when it considers that the legal proceedings present inconsistencies or are insufficiently sustained.

The resolution also amended the accounting rules for financial institutions with respect to the accounting treatment of provisions derived from legal proceedings depending upon whether they are classified as "probable," "remote" or "possible."

Investments in Financial Instruments

Investment in financial instruments by Peruvian banks is restricted to those financial instruments listed in the Peruvian Banking Law, such as equity instruments traded on a stock exchange, debt instruments (to the extent that certain requirements are satisfied), sovereign debt instruments and quotas in mutual and investment funds. Pursuant to SBS Resolution No. 7033-2012, investments in financial instruments by Peruvian banks is to be classified into the following categories: (a) investments at fair value with changes in results (short-term), (b) investments available-for-sale, (c) investments held-to-maturity (long-term) and (d) investments in subsidiaries and affiliates. SBS Resolution No. 2610-2018 amended and supplemented this rule, including by introducing a standardized methodology for the identification of impairment of financial instruments classified as available-for-sale investments and held-to-maturity investments.

Reserve Requirements from the Central Bank

Under the Peruvian Banking Law, all financial institutions regulated by the SBS (except for small-business development non-bank institutions) are required to maintain a legal reserve (*encaje*) for certain obligations. Financial institutions may satisfy the minimum reserve requirements with funds that they hold in vaults or that they have deposited in their accounts at the Central Bank. The exact level and method of calculation of these reserve requirements is set by the Central Bank, which has issued different sets of regulations for foreign and local currency-denominated obligations. The following liabilities, among others, are subject to the reserve requirement: demand and time deposits, savings accounts, securities, certain bonds and funds administered by the bank. Subject to certain requirements, the reserve requirements exclude mid-term and long-term funding (*i.e.*, original maturities of more than two years) obtained from foreign financial institutions, other central banks, governments or multilateral lending agencies.

As of the date of this Offering Memorandum, the minimum legal reserve requirement for Sol and U.S. dollar obligations subject to reserve requirements is 6.0% and 9.0%, respectively, with the Central Bank being authorized to impose higher levels. Local and U.S. dollar obligations subject to reserve requirements that exceed a certain level set by the Central Bank are subject to reserve requirements at a rate of 25.0% and 35.0%; *however*, Sol and U.S. dollar borrowings from certain foreign sources with an original maturity of two years or less are subject to a 9.0% special rate (except for such borrowings in U.S. dollars assumed on or after July 1, 2023 which are subject to the 35% rate). Foreign currencies other than the U.S. dollar are not contemplated in these requirements.

Banks must also keep an amount equal to at least 1.0% and 3.0%, respectively, of their Sol and U.S. dollar obligations subject to reserve requirements deposited in an account with the Central Bank.

The Central Bank also establishes the interest rate payable on reserves that exceed the minimum legal reserve requirement applicable to both Sol and U.S. dollar deposits. The current applicable interest rate: (a) for Sol reserves, different from those described below, is the higher of: (i) the overnight deposits interest rate *minus* 1.95% *per annum* and (ii) 0%, and (b) for U.S. dollar reserves is the higher of: (i) 25% of the Chicago Mercantile Exchange (“CME”) Term SOFR for one month *minus* 10 basis points and (ii) the CME Term SOFR for one month *minus* 50 basis points. The applicable interest rate is expected to be periodically revised by the Central Bank in accordance with monetary policy objectives.

The Central Bank has on numerous occasions changed the deposit reserve requirements applicable to Peruvian commercial banks and both the rate of interest paid on deposit reserves and the amount of deposit reserves on which no interest is payable by the Central Bank.

Special Provisions as a Result of the COVID-19 pandemic

On March 8, 2021, the Peruvian government, through Emergency Decree No. 026-2021, authorized, on an exceptional basis, the rescheduling of loans guaranteed by the Reactiva Perú program for up to S/16 billion (thereafter increased to S/19.5 billion) to provide greater payment flexibility to the beneficiaries of this program. On May 13, 2022, through Emergency Decree No. 011-2022, the Peruvian government approved a second rescheduling for up to an additional S/10 billion. For debtors with loans between S/90,001 and S/10,000,000, the program is only available if such debtors evidence a decrease in sales equal to or higher than 30% for 2021 in comparison to 2019. More recently, through Emergency Decree No. 026-2022 and the amendment No. 074-2023-EF/15 to the Ministerial Resolution 134-2020-EF/15, the Peruvian government granted a new rescheduling for loans under the Reactiva Perú program, to which companies were able to apply until September 30, 2023.

Special Regulations as a Result of Social Unrest

On December 7, 2022, former President Pedro Castillo announced his intention to dissolve the Peruvian Congress and to intervene in, among others, the Peruvian judicial branch and Superior Court. Mr. Castillo’s actions were deemed to constitute an attempted coup, which led to his impeachment and arrest. According to the Peruvian Constitution, Mr. Castillo was succeeded by his then vice-president, Dina Boluarte. Following Mr. Castillo’s impeachment, protests in support of Mr. Castillo erupted across the country, which led President Boluarte to declare a state of emergency across several regions in Perú on December 12, 2022. Protests continued until March 2023.

In that context, the SBS approved a series of measures to reschedule consumer loans that had been affected by the protests and social unrest, similar to those implemented under Reactiva Perú to minimize the impact of the COVID-19 pandemic. Pursuant to Oficio Multiple No. 54961-2022, issued on December 22, 2022, the SBS established exceptional measures applicable to consumer loans, allowing financial institutions to amend contractual conditions without characterizing them as refinanced loans as long as the amended loan complied with certain loan characteristics. Through Oficio Multiple No. 03583-2023 (issued on January 25, 2023) and Oficio Multiple No. 09702-2023 (issued on March 1, 2023), the SBS amended the conditions that had to be met, adding flexibility to the minimum standards and allowing for more favorable conditions to borrowers in the rescheduling of their loans.

Through Oficio Multiple No. 11235-2023 issued on March 10, 2023, the SBS allowed credit card loans to be included subject to certain additional conditions. Pursuant to these provisions, financial institutions were also allowed to offer extensions or grace periods as alternatives for minimum payments on credit card loans.

The rules mentioned in the preceding two paragraphs were repealed in April 2023 by Oficio Multiple No. 17305-2023; *however*, such repeal did not affect loans that had already been rescheduled thereunder.

Deposit Insurance Fund

Certain bank deposits are protected by the Deposit Insurance Fund against bank failure. Specifically, savings deposits by natural persons, savings deposit accounts maintained by non-profit entities and checking accounts are covered in full up to an amount that is revised quarterly by the SBS. For the period from December 2023 through February 2024, the maximum coverage amount is S/123,810 per person per bank (coverage for later periods has not yet been published).

The Deposit Insurance Fund was established in 1991 and was organized as a private corporation in 1996. The Deposit Insurance Fund’s governing body is led by a representative of the SBS. The additional members are appointed by the Central Bank

(one member), the MEF (one member) and by the banks (three members). The SBS provides the necessary administrative members and operational resources for the Deposit Insurance Fund.

The financial resources available to the Deposit Insurance Fund pursuant to the Peruvian Banking Law include, among others, the original contribution from the Central Bank, insurance premiums paid by banks, unclaimed bank deposits (after 10 years) and fines imposed by the SBS for violations of the Peruvian Banking Law. In extraordinary circumstances, the Deposit Insurance Fund may borrow funds with authorization from the MEF or it may borrow long-term government securities from the MEF.

Anti-Money Laundering Rules

Money laundering is considered a criminal act in Perú. A special legal framework was established in April 2002, which follows the 40 recommendations of the FATF. Since then, this legal framework has been amended in order to improve and increase the efficiency of the Peruvian anti-money laundering system.

Money laundering includes a wide range of serious offenses such as tax evasion, terrorism, drug trafficking, corruption and other criminal activities. A special set of anti-money laundering rules applies specifically to banks, which include specific rules for customer and employee due diligence and recordkeeping. In March 2008, the SBS enacted additional anti-money laundering provisions pursuant to which, among other things, banks must establish a set of policies and procedures specifically aimed to prevent asset laundering and the financing of terrorist activities. In November 2008, the SBS modified the anti-money laundering provisions to include, among other changes, the obligations of Peruvian banks to verify that their branches and foreign subsidiaries comply with the anti-money laundering and terrorism financing provisions enacted by the SBS and with the recommendations of the FATF.

On February 17, 2011, the SBS modified current anti-money laundering provisions through SBS Resolution No. 2108-2011 in order to adapt these provisions to international standards established by the Financial Action Task Force of South America (in Spanish: *Grupo de Acción Financiera de Sudamerica*, or “GAFISUD”) in relation to due diligence in the identification of clients according to their risk and profile level, among other considerations. This regulation was superseded by SBS Resolution No. 2891-2018, which came into force on October 1, 2018 but continues the same concepts under a modernized approach.

The government agency responsible for supervising the anti-money laundering system is the UIF, which was made part of the SBS in July 2007. The chairman of this agency is appointed by the chairman of the SBS. Law No. 30424, which took effect on January 1, 2018, attributes criminal liability to a legal entity when crimes related to money laundering, terrorist financing, bribery (including multinational bribery), tax fraud and customs offenses are committed on its behalf or for its benefit by any legal representative or *de facto* or *de jure* executive of such entity. Such regulation establishes that criminal liability will be absolved or mitigated if the legal entity has adopted an adequate and suitable prevention model following the criteria and minimum guidelines outlined in Law No. 30424. On January 9, 2019, Supreme Decree 002-2019-JUS took effect, setting forth further regulations and guidelines related to, among other things, the suitable prevention model to be implemented in accordance with Law No. 30424.

Data Management and Cyber Security Regulations

By means of SBS Resolution No. 504-2021, as amended, the SBS approved regulations regarding data management and cybersecurity, by virtue of which financial entities are required to: (a) implement data management and cybersecurity measures and (b) have a multidisciplinary team in charge of managing cybersecurity incidents, which team must be duly qualified to implement such policies and procedures. It also establishes that a bank’s board of directors is responsible for approving these policies and procedures and that a bank’s management is responsible for implementing them.

Intervention by the SBS and Liquidation

Peruvian banks are not subject to the regime of insolvency and bankruptcy otherwise applicable to Peruvian corporations in general. Pursuant to the Peruvian Banking Law, the SBS has the power to interrupt the operations of a bank in order to prevent, or to control and reduce the effects of, a bank failure. Accordingly, the SBS may intervene in a bank’s business by adopting either a Surveillance or an Intervention depending upon how critical the situation is deemed to be by the SBS.

A Surveillance regime might last up to 45 days (which period may be extended for a second period of up to 45 additional days), during which time the SBS may institute measures such as canceling losses by reducing reserves, capital and

subordinated debt (such as Tier I Regulatory Capital and Tier II Regulatory Capital, including the Notes). While a Surveillance is intended to rehabilitate a bank, Intervention of a bank is to be taken upon the occurrence of certain events, including (without limitation): (a) suspension of payments by such bank, (b) failure by such bank to comply with an SBS-mandated restructuring plan during the Surveillance regime, (c) such bank's regulatory capital being less than 50% of the minimum regulatory capital required (global limit) or (d) a loss or reduction of more than 50% of such bank's regulatory capital in a 12-month period. Less drastic measures, such as: (i) placing additional requirements, (ii) ordering a capital increase or an asset divestiture or (iii) imposing a financial restructuring plan, may be also adopted by the SBS when it believes appropriate. If the deficit of regulatory capital exceeds 50% for a 12-month period, then an Intervention will be mandatory.

In an Intervention, the SBS may halt a bank's operations for up to 45 days (which period may be extended for a second period of up to 45 additional days), during which time the SBS may institute measures such as: (a) limiting the decisions that might be taken at a shareholders meeting, (b) suspending the bank's normal activities, (c) canceling losses by reducing reserves, capital and subordinated debt (such as Tier I Regulatory Capital and Tier II Regulatory Capital, including the Notes), (d) segregating certain assets and liabilities for transfer to another financial institution and (e) merging the intervened bank with another institution. After an Intervention, the SBS will proceed to dissolve and liquidate the bank unless the preceding option (c) was applied.

In limited circumstances, during a dissolution and liquidation proceeding of a bank, with the consent of the SBS, the creditors of such bank representing at least 30% of such bank's total liabilities may propose a rehabilitation plan. Such plan must contemplate the application of the bank's capital instruments (such as the Notes) to absorb losses of the Bank as discussed herein and, in case any amount of such capital instruments remains outstanding, its conversion into equity. Any such rehabilitation plan would be enforceable if, after acceptance by the SBS, it is approved by a majority of the creditors of such bank.

Beginning on the date on which a resolution of the SBS subjecting a bank to an Intervention regime is issued, and continuing until such Intervention is concluded (which period ends when the liquidation process begins), the Peruvian Banking Law prevents any creditor of the bank from: (a) initiating any judicial or administrative procedure for the collection of any amount owed by the bank, (b) enforcing any judicial decision rendered against the bank to secure payment of any of its obligations, (c) constituting a lien or attachment over any of the assets of the bank to secure payment of any of its obligations or (d) making any payment, advance or compensation or assuming any obligation on behalf of the bank with the funds or assets that may belong to it and are held by third parties except for: (i) set-off compensation payments that are made between regulated entities of the Peruvian banking and financial sector and insurance industry and (ii) set-off of reciprocal obligations arising from repurchase agreements and operations with financial derivatives entered into with local or foreign financial and insurance institutions.

During the liquidation of a bank, the claims of the creditors of such bank rank as follows:

(a) *first order*, labor claims as follows: (i) employee remunerations and (ii) social benefits, contributions to the private and public pension system and other labor claims against the bank accrued until the date when the dissolution is declared, retirement pensions or the capital required to redeem those pensions or to secure them by purchasing annuities,

(b) *second order*, claims for bank deposits and other types of saving instruments provided under the Peruvian Banking Law for the portion not covered by the Deposit Insurance Fund and the contributions and resources used by the Deposit Insurance Fund to cover claims for bank deposits and other types of saving instruments,

(c) *third order*, taxes as follows: (i) claims by the Peruvian social security administration (in Spanish: *Seguro Social de Salud del Perú EsSalud*) related to health care benefits for which the bank is responsible as employer and (ii) taxes, and

(d) *fourth order*, unsecured and non-privileged credits as follows: (i) *first*, all unsecured and non-privileged credits against the bank, ranked on the basis of the date they were assumed or incurred by the bank whereby obligations assumed or incurred on an earlier date shall rank senior in right of payment to obligations assumed or incurred by the bank at a later date; *provided* that obligations assumed or incurred by the bank on a date that cannot be determined shall rank junior in right of payment to all the other such obligations (though *pari passu* among themselves), (ii) *second*, the legal interest on the bank's obligations that may accrue during the liquidation and (iii) *third*, subordinated debt.

Except as noted in clause (d), all claims within an order are ranked *pari passu* among themselves. Each category of creditors will collect in the order indicated above, whereby distributions in one order will be subject to completing full distribution in the prior order.

If the Bank becomes subject to Liquidation, then the SBS has the right to limit the rate at which interest will accrue on the Notes during such Liquidation to the legal interest rate for U.S. dollar-denominated indebtedness determined by the Central Bank.

Any security interest created before the issuance of the resolution declaring the bank's dissolution and the initiation of the liquidation process will survive in order to guarantee the obligation it secures, subject to labor claims, savings and deposits, which are privileged claims. The secured creditors retain the right to collect from the proceeds of the sale of the collateral, on a preferred basis (except with respect to such privileged claims), subject to certain rules established under Article 119 of the Peruvian Banking Law.

DESCRIPTION OF NOTES

The Notes will be issued pursuant to the Indenture as supplemented by the Supplemental Indenture. This summary describes the general terms and provisions of the Indenture, the Supplemental Indenture and the Notes, which description does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all of the provisions of the Indenture, the Supplemental Indenture and the Notes, including the definitions therein of certain terms. The Bank urges potential investors in the Notes to read each of the Indenture, the Supplemental Indenture and the form of the Notes (or, before the Issue Date, the then-current drafts thereof) because they, and not this description, define (or will define) the investors' rights as investors in the Notes. In case of any conflict regarding the rights and obligations of the investors in the Notes under the Indenture, the Supplemental Indenture and the Notes, on the one hand, and this Offering Memorandum, on the other hand, the terms of the Indenture, the Supplemental Indenture or the Notes, as applicable, will prevail.

The Supplemental Indenture provides for the issuance of the Notes but does not limit the aggregate principal amount of notes that may be issued under the Supplemental Indenture, providing that, subject to certain conditions and with the prior approval of the SBS, Additional Notes may be issued under the Supplemental Indenture from time to time and without the consent of the Holders (or holders of beneficial interests in Global Notes). At the option of the Bank, these Additional Notes may be issued by it from time to time in one or more transactions, which Additional Notes must have identical terms (other than issue date, issue price and, in certain cases, first Interest Payment Date) as the Notes; *provided* that if the Additional Notes are not fungible with the Notes for U.S. federal income tax purposes, then the Additional Notes will have separate "CUSIP" and "ISIN" numbers. Holders of Additional Notes would have the right to vote together with Holders of the Notes as one class. If any such Additional Notes are so issued, then (notwithstanding anything herein to the contrary) the Notes (and such Additional Notes) may not be redeemed as described in "-Redemption Prior to Maturity – Optional Redemption" before the fifth anniversary of the initial issue date of such Additional Notes.

General

The Notes will be the Bank's direct, unsecured and subordinated obligations and rank *pari passu* without preference among themselves. The Notes will not be insured by any insurance provided or arranged by the Bank or benefit from any contractual support agreement provided or arranged by the Bank.

Acceleration of any payments due under the Notes will occur only upon the occurrence and continuation of an Acceleration Event and following delivery of a notice by the Trustee to the Bank that the Notes are immediately due and payable. There is no right of acceleration in the case of a default in any payment on the Notes (whether when due, upon redemption or otherwise) or the performance of any of the Bank's other obligations under the Indenture, the Supplemental Indenture or the Notes. For more information, see "- Loss Absorption" and "- Acceleration Event."

As of December 31, 2023, the Bank had: (a) S/89,916,690 thousand of Senior Obligations, (b) S/2,127,220 thousand of Parity Obligations and (c) S/12,368,849 thousand of Junior Obligations.

Principal, Maturity and Interest

The Notes will mature on the Stated Maturity Date (*i.e.*, June 7, 2034). The Notes will bear interest on their principal amount from (and including) the Issue Date to (but excluding) the Reset Date (or, if applicable, an earlier Redemption Date) at the Initial Interest Rate (*i.e.*, 6.20% *per annum*). During the period from (and including) the Reset Date to (but excluding) the Stated Maturity Date (or, if applicable, an earlier Redemption Date), the Notes will bear interest on their principal amount at the Reset Interest Rate (*i.e.*, a *per annum* rate equal to the sum of: (a) the Benchmark Reset Rate *plus* (b) 2.002% *per annum*). Interest on the Notes will be computed on the basis of a 360-day year of twelve 30-day months. For the purpose of clarification, June 7, 2029 will be the Reset Date whether or not such date falls on a Business Day.

Interest on the Notes will be payable semi-annually in arrear on each Interest Payment Date (*i.e.*, the 7th day of each June and December), commencing on June 7, 2024 (the first interest period thus being short). Interest on a Note will be paid by wire transfer of immediately available funds to the Person in whose name such Note is registered at the close of business on the 15th calendar day preceding the respective Interest Payment Date, irrespective of whether such 15th calendar day is a Business Day (such date, a "Record Date").

In the event that an Interest Payment Date or the Stated Maturity Date is not a Business Day, the Bank will pay the applicable interest or principal on the next day thereafter that is a Business Day, with the same force and effect as if paid on such Interest Payment Date or Stated Maturity Date, and no interest will accrue on the amount so payable for the period from and after such Interest Payment Date or Stated Maturity Date, as the case may be.

Any interest on the Notes that is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (“*Defaulted Interest*”) will forthwith cease to be payable to the applicable Holder identified on the relevant Record Date by virtue of its having been such Holder. Such Defaulted Interest may be paid by the Bank to the Persons in whose names the Notes are registered at the close of business on a Special Record Date (as such term is defined in the Indenture) fixed by the Trustee for such purpose.

The principal of and interest on the Notes will be payable in U.S. dollars or in such other equivalent unit of legal tender for payment of public and private debts in the United States of America.

The Notes will be issued in denominations of US\$200,000 and any integral multiple of US\$1,000 in excess thereof and, as of the Issue Date, only in the form of beneficial interests in respect of the Global Notes registered in the name of Cede & Co. as nominee of DTC. Beneficial interests in respect of the Global Notes will be held through financial institutions acting on behalf of the beneficial holders of such interests as direct or indirect participants in DTC. Except in limited circumstances, owners of beneficial interests in respect of the Global Notes will not be entitled to receive physical delivery of Notes in certificated form. See “- Book-Entry System; Delivery and Form.” No service charge will be made on any Holder for any registration of transfer or exchange of Notes, but (other than certain circumstances not involving any transfer of a Note) the Bank may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of a Note.

Initially, the Trustee will act as paying agent and security registrar for the Notes. The Notes may be presented for registration of transfer and exchange at the offices of the security registrar for the Notes.

Payment of Additional Amounts

All payments in respect of the Notes will be made free and clear of and without any deduction or withholding for or on account of any present or future Taxes (as defined below), unless the withholding or deduction of such Taxes is required by law or the official interpretation thereof or by the administration thereof. If the Bank is required by any law of any Taxing Jurisdiction (as defined below) to withhold or deduct any Taxes from or in respect of any sum payable under the Notes, then the Bank will: (a) pay such Additional Amounts as may be necessary in order that the net amounts receivable by Holders of any Notes after such withholding or deduction (including withholding or deduction with respect to such Additional Amounts) will equal the respective amounts that would have been receivable by such Holders in the absence of such withholding or deduction, (b) make such withholding or deduction and (c) pay the full amount withheld or deducted to the relevant tax or other authority in accordance with applicable law, except that no such Additional Amounts will be payable in respect of any Note:

(i) to the extent that such Taxes are imposed or levied by reason of such Holder (or the applicable beneficial owner(s)) having some connection with the Taxing Jurisdiction other than the mere holding (or beneficial ownership) of such Note, receiving payments on such Note or enforcing rights thereunder (including but not limited to citizenship, nationality, residence, domicile, existence of a business, a permanent establishment, a dependent agent, a place of business or a place of management present or deemed present in the Taxing Jurisdiction),

(ii) to the extent that any Taxes are imposed other than by deduction or withholding from payments of principal, premium, if any, or interest on or in respect of such Note,

(iii) in the event that such Taxes would not have been imposed or levied but for the failure of the Holder (or the applicable beneficial owner(s)) to comply with any certification, identification or other reporting requirement concerning its nationality, residence, identity or connection with the Taxing Jurisdiction if: (A) compliance is required by applicable law, regulation, administrative practice or treaty as a precondition to exemption from all or part of the Taxes, (B) the Holder (or the applicable beneficial owner(s)) is able to comply with these requirements without undue hardship and (C) the Bank has given the Holders (or the applicable beneficial owner(s)) at least 30 calendar days prior notice that they will be required to comply with such requirement,

(iv) in the event that the Holder fails to surrender (where surrender is required) its Note for payment within 30 days after the Bank has made available a payment of principal or interest; *provided* that the Bank will pay Additional Amounts to which a Holder would have been entitled had the Note been surrendered on the last day of such 30-day period,

(v) to the extent that such Taxes are estate, inheritance, gift, personal property, use or sales taxes or any similar taxes, assessments or other governmental charges,

(vi) to the extent of any Tax required to be withheld or deducted under Sections 1471 through 1474 of the Code (“*FATCA*”), any treaty, law, regulation or other official guidance enacted by any foreign government implementing FATCA or any agreement between the Bank and the United States or any authority thereof implementing FATCA,

(vii) to or on behalf of a Holder that is a fiduciary, a partnership, a limited liability company or a Person other than the sole beneficial owner of any payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such partnership, an interestholder in such limited liability company or the beneficial owner of the payment would not have been entitled to the Additional Amounts had the beneficiary, settlor, member, interestholder or beneficial owner been the Holder of the Note, or

(viii) any combination of clauses (i) through (vii).

The Bank will provide the Trustee with the official acknowledgment of the relevant taxing authority (or, if such acknowledgment is not available, other reasonable documentation) evidencing any payment of any Taxes in respect of which the Bank has paid any Additional Amounts. Copies of such documentation will be made available to the applicable Holder(s) of the Notes or the paying agent, as applicable, upon request therefor.

Any reference herein or in the Indenture, the Supplemental Indenture or the Notes to payments on the Notes will be deemed also to include any Additional Amounts to the extent applicable. The foregoing obligations will survive any termination of the Indenture, the Supplemental Indenture or the Notes; *however*, no Holder will be entitled to receive any Additional Amounts greater than the amounts necessary in order that the net amounts receivable by such Holder after such withholding or deduction (including withholding or deduction with respect to such Additional Amounts) will equal the respective amounts that would have been receivable by such Holder in the absence of such withholding or deduction, subject to the exceptions above.

In addition, notwithstanding the language in clause (ii) above, the Bank will pay and indemnify the Holders of the Notes against any Peruvian value added tax that is imposed on a payment of interest on the Notes except to the extent that such Peruvian value added tax is described in (or Additional Amounts would not be paid pursuant to) clauses (i), (iii), (iv), (v), (vi) or (vii) above (or any combination thereof).

The Bank will pay any present or future stamp, court or documentary taxes or any excise or property taxes, charges or similar levies that arise in any jurisdiction from the execution, delivery, registration, enforcement or the making of payments in respect of the Notes, the Indenture or the Supplemental Indenture, excluding any such taxes, charges or similar levies imposed by any jurisdiction other than a Taxing Jurisdiction other than those resulting from, or required to be paid in connection with, the enforcement of the Notes following the occurrence of any default under the Indenture or the Supplemental Indenture.

“*Taxes*” means, with respect to payments on any Note, all taxes, withholdings, duties, assessments or governmental charges of whatever nature (including related penalties and interest) imposed or levied by or on behalf of a Taxing Jurisdiction.

“*Taxing Jurisdiction*” means: (a) Perú, (b) if not Perú, the jurisdiction of incorporation or tax residence of the Bank, or (c) the jurisdiction through which the Bank or any paying agent acting on behalf of the Bank makes any payments with respect to the Notes, or, in each case, any political subdivision thereof or any authority or agency therein or thereof having power to tax.

For a discussion of Peruvian withholding taxes applicable to payments under or with respect to the Notes, see “Taxation – Certain Peruvian Tax Considerations.”

Unclaimed Payments, Prescription

All money deposited with the Trustee or any paying agent, or then held by the Bank, in trust for the payment of the principal of or interest on any Notes and remaining unclaimed for two years after such principal or interest has become due and payable will be repaid to the Bank upon its request or (if then held by the bank) will be discharged from such trust. After that two-year period, the applicable Holder, as an unsecured general creditor, may look only to the Bank for payment thereof, and all liability of the Trustee or such paying agent with respect to such trust money, and all liability of the Bank as trustee thereof, will thereupon cease. The right to receive each payment of principal of and interest on the Notes will become void at the end of six years after the due date thereof.

Redemption Prior to Maturity

Optional Redemption

During the Optional Redemption Period (*i.e.*, any date from (and including) the fifth anniversary of the Issue Date to (and including) the Reset Date), subject to the prior approval of the SBS or any other then-applicable Peruvian Governmental Authority, if then required, the Bank may at its option redeem the Notes, in whole or in part, upon giving not less than 10 days' (or, to the extent required by an applicable clearing system, such longer period) but no more than 60 days' notice to the Holders of the Notes, at a redemption price equal to 100% of the aggregate principal amount of the Notes being redeemed *plus* any accrued and unpaid interest on the principal amount of the Notes being redeemed up to, but excluding, the applicable Redemption Date *plus* Additional Amounts, if any (subject to the right of Holders of record on the relevant Record Date to receive interest due on the relevant Interest Payment Date); *provided* that such redemption: (a) must comply with the requirements set forth in the Subordinated Debt Regulation (which include, among others, that the Notes may not be redeemed prior to five years from the Issue Date except upon a Tax Event or Regulatory Event) and (b) is not prohibited by Peruvian law or regulation (which includes the Peruvian Banking Law, the Subordinated Debt Regulation and any other applicable regulation issued by the SBS and any Central Bank regulations). On and after a Redemption Date, interest will cease to accrue on the Notes or portions thereof called for redemption as long as the Bank has deposited with the paying agent funds in satisfaction of the applicable redemption price.

Notwithstanding the preceding paragraph or anything else herein to the contrary, if any Additional Notes are issued, then the Notes (and such Additional Notes) may not be redeemed in the manner described in the preceding paragraph before the fifth anniversary of the initial issue date of such Additional Notes.

Redemption Upon a Tax Event or Regulatory Event

At any time with the prior approval of the SBS or any other then-applicable Peruvian Governmental Authority, if required, the Bank may redeem the Notes in whole, but not in part, upon giving not less than 10 days' (or, to the extent required by an applicable clearing system, such longer period) but no more than 60 days' notice to the Holders of the Notes, following the occurrence of a Tax Event or Regulatory Event at a redemption price equal to 100% of the aggregate principal amount of the Notes *plus* any accrued and unpaid interest on the principal amount of the Notes up to, but excluding, the applicable Redemption Date *plus* Additional Amounts, if any (subject to the right of Holders of record on the relevant Record Date to receive interest due on the relevant Interest Payment Date); *provided* that such redemption: (a) must comply with the requirements set forth in the Subordinated Debt Regulation and (b) is not prohibited by Peruvian law or regulation (which includes the Peruvian Banking Law, the Subordinated Debt Regulation and any other applicable regulation issued by the SBS and any Central Bank regulations).

In the case of a Tax Event, before giving notice of redemption, the Bank is required to deliver to the Trustee an Officers' Certificate stating that the Bank is entitled to effect such redemption in accordance with the terms set forth in the Indenture, setting forth in reasonable detail a statement of the facts relating thereto and stating that such obligation cannot be avoided by taking reasonable measures available to the Bank (such measures not involving any material cost to the Bank or the incurring of any material tax or penalty); *provided* that, for this purpose, reasonable measures will not include any change in the Bank's jurisdiction of organization or location of its principal executive office. The statement will be accompanied by an Opinion of Counsel to the effect, among other things, that, as a result of a Tax Event, the Bank has become (or on the next Interest Payment Date will become) obligated to pay or is (or on the next Interest Payment Date will be) liable for: (a) Additional Amounts payable in respect of the Notes in excess of the gross amount of Additional Amounts payable in respect of the Notes prior to such Tax Event or (b) paying any Peruvian value added taxes imposed in respect of payments of interest on the Notes

to the extent that such Peruvian value added taxes cannot be offset against any other tax liabilities that may arise out of the Bank's ordinary course of business.

In the case of a Tax Event or a Regulatory Event, the Bank is required, prior to exercising the right of redemption, to deliver to the Trustee an Officers' Certificate together with a written legal opinion of Peruvian counsel of recognized standing, selected by the Bank, in a form satisfactory to the Trustee, both confirming either that: (a) such right of redemption has been authorized by the SBS or any other then-applicable Peruvian Governmental Authority, if then required, or (b) such authorization is not required.

Open Market Purchases

The Bank may: (a) if permitted by applicable Peruvian law and regulations (including the Peruvian Banking Law and the Subordinated Debt Regulation) in order for the Notes to continue qualifying as Tier II Regulatory Capital and (b) to the extent required, with the prior approval of the SBS or any other then-applicable Peruvian Governmental Authority, at any time purchase any Notes (or beneficial interests therein) in the open market or otherwise in any manner and at any price, which Notes may be delivered (or, for beneficial interests in the Global Notes, notified) to the Trustee to be promptly cancelled by it.

Ranking and Outstanding Indebtedness

The Notes will be the Bank's direct, unsecured and subordinated obligations and will rank *pari passu* without preference among themselves. Including in the event of the Bank's Liquidation or equivalent proceedings under the Peruvian Banking Law and regulations thereunder, the Notes will rank: (a) junior in right of payment to all of the Bank's existing and future Senior Obligations, (b) *pari passu* in right of payment with all of the Bank's existing and future Parity Obligations and (c) senior in right of payment to all of the Bank's existing and future Junior Obligations. The Notes will not be insured by any insurance provided or arranged by the Bank or benefit from any contractual support agreement provided or arranged by the Bank.

The Indenture provides that, in the event that the Notes are accelerated as a result of an Acceleration Event, the Notes will remain junior in right of payment to the Bank's Senior Obligations and, unless all creditors of the Bank's Senior Obligations have been paid in full, no payment or other distribution may be made in respect of the Notes. See "-Loss Absorption," "-Acceleration Event" and "Risk Factors - Risks Relating to the Notes - Subordination."

Loss Absorption

Pursuant to the Peruvian Banking Law and regulations promulgated thereunder, the SBS will, when applicable, in the case of an Intervention of the Bank by the SBS or the Liquidation of the Bank, use: (a) accrued and unpaid interest payable under and (b) the principal of the Notes (and Parity Obligations), in that order and on a prorated basis and *pari passu* among the Notes (and Parity Obligations), to absorb losses of the Bank. If the SBS were to do so, then any losses of the Bank would be absorbed: (i) first, by the instruments that qualify as Tier I Regulatory Capital, (ii) second, by equity instruments that qualify as Tier II Regulatory Capital, and (iii) third, by other Tier II Regulatory Capital (such as the Notes), in that order. As a result of any such action by the SBS that results in loss absorption by the Notes, such amount of principal and interest on the Notes would not be paid to the Holders. See "Risk Factors - Risks Relating to the Notes - Loss Absorption."

In limited circumstances, during a Liquidation proceeding, with the consent of the SBS, the creditors of the Bank representing at least 30% of its total liabilities may propose a rehabilitation plan. Such plan would contemplate the application of the Bank's subordinated debt (such as the Notes) to absorb losses of the Bank and, in case any amount of the Notes remains outstanding, its conversion into equity. Any such rehabilitation plan would be enforceable if, after acceptance by the SBS, it is approved by a majority of the creditors of the Bank. See "Supervision and Regulation - Intervention by the SBS and Liquidation."

Peruvian Bankruptcy Considerations

Pursuant to the Peruvian Banking Law, the SBS has the power to interrupt the operations of a bank in order to prevent it from, or to control and reduce the effects of, a bank failure. Accordingly, the SBS may intervene in a bank's business by adopting either a temporary surveillance regime (in Spanish: *régimen de vigilancia*) ("*Surveillance*") or a definitive intervention regime (in

Spanish: *régimen de intervención*) (the “Intervention”) depending upon how critical the situation is deemed to be by the SBS. While a Surveillance is intended to rehabilitate a bank, Intervention of a bank is to be taken upon the occurrence of certain events, including: (a) suspension of payments by such bank, (b) failure by such bank to comply with an SBS-mandated restructuring plan during the Surveillance regime, (c) repeated violation of the Peruvian Banking law or such bank’s by-laws, (d) unauthorized or unsound management, (e) such bank’s regulatory capital being less than 50% of the minimum regulatory capital required (global limit) or (f) a loss or reduction of more than 50% of such bank’s regulatory capital in a 12-month period. Less drastic measures, such as: (i) placing additional requirements, (ii) ordering a capital increase or an asset divestiture or (iii) imposing a financial restructuring plan, may be also adopted by the SBS when it believes appropriate. If the deficit of regulatory capital exceeds 50% for a 12-month period, then an Intervention will be mandatory

In an Intervention, the SBS may halt a bank’s operations for up to 45 days (which period may be extended for a second period of up to 45 additional days), during which time the SBS may institute measures such as: (a) limiting the decisions that might be taken at a shareholders meeting, (b) suspending the bank’s normal activities, (c) canceling losses by reducing reserves, capital and subordinated debt (such as Tier I Regulatory Capital and Tier II Regulatory Capital, including the Notes), (d) segregating certain assets and liabilities for transfer to another financial institution and (e) merging the intervened bank with another institution. After an Intervention, the SBS will proceed to dissolve and liquidate the bank unless the preceding option (c) was applied.

See “Supervision and Regulation – Intervention by the SBS and Liquidation” for further information on a Surveillance and Intervention, including the ranking of claims of bank creditors during a Liquidation.

No Limitation on Indebtedness, Liens, Dividends, Investments, Transactions with Affiliates and Reserves

Neither the Indenture nor the Supplemental Indenture limits the ability of the Bank to incur additional indebtedness (including Additional Notes, Senior Obligations and Parity Obligations), to grant liens on its assets and other properties, to make payment of dividends, to make investments or to enter into transactions with its affiliates or require it to create or maintain any reserves. In addition, neither the Indenture nor the Supplemental Indenture includes any provisions that afford Holders of the Notes protection in the event of a highly leveraged transaction or a change of control.

Limited Covenants

The Indenture and Supplemental Indenture contain limited covenants by the Bank, including the following:

Consolidation, Merger, Sale or Conveyance

The Bank may not consolidate with or merge into any other Person or convey or transfer its properties and assets substantially as an entirety to any Person, unless:

(a) the successor corporation (if not the Bank) is a corporation organized and existing under the laws of Perú and will expressly assume, by a supplemental indenture to the Indenture, delivered to and in a form satisfactory to the Trustee, the due and punctual payment of all amounts payable pursuant to the Indenture and the Supplemental Indenture and the principal of and interest on all the outstanding Notes and the performance of every covenant in the Indenture and the Supplemental Indenture on the part of the Bank to be performed or observed,

(b) immediately after giving effect to such transaction, no Acceleration Event and no event that, after notice or lapse of time, or both, would become an Acceleration Event shall have happened and be continuing, and

(c) the Bank shall have delivered to the Trustee: (i) an Officers’ Certificate stating that such consolidation, merger, conveyance or transfer and such supplemental indenture (if applicable) comply with clauses (a) and (b) and that all conditions precedent in the Indenture relating to such transaction and the execution of such supplemental indenture (if applicable) have been complied with and (ii) an Opinion of Counsel stating that such consolidation, merger, conveyance or transfer and such supplemental indenture (if applicable) comply with clause (a).

In case of any such consolidation, merger, conveyance or transfer in which the Bank is not the successor corporation, such successor corporation will succeed to and be substituted for the Bank as obligor on the Notes with the same effect as if it had issued the Notes. Upon the assumption of the Bank’s obligations by any such successor Person in such circumstances

subject to applicable law, the Bank will be discharged from all obligations under the Notes, the Indenture and the Supplemental Indenture.

Provision of Information and Reports

So long as any Notes are outstanding, the Bank will furnish to the Trustee:

(a) within 135 days following the end of each fiscal year of the Bank, an English version (or accompanied by an English translation thereof) of its consolidated audited statement of income, balance sheet, statement of changes in equity and cash flow statement and the related notes thereto for the two most recent fiscal years prepared in accordance with Peruvian GAAP or in accordance with such accounting standards as may from time to time be required for Peruvian banks, together with an audit report thereon by its independent auditors, accompanied by an Officers' Certificate stating that no Acceleration Event has occurred during such period or, if one has occurred, describing such Acceleration Event, and

(b) within 75 days following the end of the first three fiscal quarters in each fiscal year of the Bank, an English version (or accompanied by an English translation thereof) of its quarterly reports containing unaudited consolidated statement of income, balance sheet, statement of changes in equity and cash flow statement and the related notes thereto, in each case for the quarterly period then ended and the corresponding quarterly period in the prior fiscal year and prepared in accordance with Peruvian GAAP or in accordance with such accounting standards as may from time to time be required for Peruvian banks, accompanied by an Officers' Certificate stating that no Acceleration Event has occurred during such period or, if one has occurred, describing such Acceleration Event;

provided that any such financial statements will be deemed to have been delivered on the date on which the Bank has published such financial statements (in a manner that is readily accessible to all) on its website (as of the Issue Date, <https://www.bbva.pe/personas/nuestro-banco/investor-relations/informacion-financiera.html>) (the Bank will promptly notify the Trustee that the Bank has published such financial statements on such website).

In addition, the Bank will furnish to a Holder of (or a holder of beneficial interests in) a Note and to a prospective investor, upon the request of such Holder (or holder of beneficial interests) or prospective investor, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act so long as such Note is not freely transferable under the Exchange Act by Persons who are not "affiliates" of the Bank under the Securities Act.

Notwithstanding anything else herein to the contrary, the Trustee has no obligation whatsoever to determine whether or not the applicable information, documents or reports described in the preceding two paragraphs have been furnished or made available as may be required thereby. The furnishing or delivery of any such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such will not constitute actual or constructive notice of any information contained therein or determinable from information contained therein, including the Bank's or any other Person's compliance with any of the covenants under the Indenture (as to which the Trustee is entitled to rely exclusively on an Officers' Certificate given by one or more Person(s) reasonably believed by the Trustee to be authorized to deliver such Officers' Certificate).

Listing

In the event that the Notes are admitted to listing on the Official List of Euronext Dublin and to trading on GEM, the Bank will use its reasonable best efforts to maintain such listing, *provided* that if, as a result of any laws, regulations, directives or rules in effect from time to time in the EU the Bank could be required to publish financial information either more regularly than it otherwise would be required to or according to accounting principles that are materially different from the accounting principles that the Bank would otherwise use to prepare its published financial information, or the Bank otherwise determines that it is unduly burdensome to maintain a listing on Euronext Dublin, the Bank may delist the Notes from GEM in accordance with the rules of Euronext Dublin and seek an alternative admission to listing, trading and/or quotation for the Notes on a different section of Euronext Dublin or by such other listing authority, stock exchange and/or quotation system inside or outside the EU as the Bank may decide. Although the Bank cannot assure investors in the Notes as to the liquidity that might result from a listing on GEM, delisting the Notes from GEM might have a material adverse effect on the ability of Holders of the Notes (or of beneficial interests therein) to resell the Notes (or such beneficial interests) in the secondary market.

Acceleration Event

If the Bank fails to make payment of principal, interest or Additional Amounts, if any, on the Notes (and, in the case of payment of interest or Additional Amounts, such failure to pay continues for 30 days), then each Holder of the Notes has the right to demand and collect under the Indenture and the Notes, and the Bank will pay such Holders, the applicable amount of such due and payable principal, accrued interest and Additional Amounts, if any, on the Notes. There is no right of acceleration in the case of a default in any payment on the Notes (whether when due, upon redemption or otherwise) or the performance of any of the Bank's other obligations under the Indenture, the Supplemental Indenture or the Notes.

Acceleration of any payments under the Notes will occur only upon the occurrence and continuation of an Acceleration Event and following delivery of a notice by the Trustee to the Bank that the Notes are immediately due and payable. If an Acceleration Event occurs and is continuing and notice has been provided by the Trustee to the Bank, then the Notes will become immediately due and payable and the rate at which interest will accrue on the Notes (to the extent the Notes have not been used to absorb any losses incurred by the Bank) during the Liquidation or equivalent proceedings under Peruvian law will be limited to the legal interest rate for U.S. dollar-denominated indebtedness as such rate is determined by the Central Bank from time to time and notified to the Trustee in writing by the Bank. The Bank will deliver to the Trustee, as promptly as practicable (and in any event within five Business Days) after becoming aware of any Acceleration Event, a written notice setting forth the nature of such Acceleration Event. Pursuant to the Peruvian Banking Law, upon Intervention of the Bank by the SBS, the operations of the Bank will be interrupted in order to prevent, or to control and reduce the effects of, the failure of the Bank. Upon Intervention of the Bank by the SBS or the Liquidation of the Bank, the Notes may be used to absorb losses. See “-Loss Absorption.”

In the event that the Notes are accelerated as a result of an Acceleration Event, the Notes will remain junior in right of payment to the Bank's Senior Obligations and, unless all creditors of the Bank's Senior Obligations have been paid in full, no payment or other distribution may be made in respect of the Notes. If the Trustee or any Holder(s) of Notes receive any payment or distribution that is prohibited under the Indenture, then the Trustee or such Holder(s) will have to repay that money to, or hold that money in trust for the benefit of, the creditors of the Bank's Senior Obligations in accordance with the Indenture.

Amendments of the Indenture, Supplemental Indenture and Notes

Without the consent of any Holders of the Notes, but subject to the Indenture, the Peruvian Banking Law and the Subordinated Debt Regulation and, if then required, with the prior approval of the SBS (and/or any other then-applicable Peruvian Governmental Authority), the Bank and the Trustee, at any time and from time to time, may amend, waive or supplement the Indenture, the Supplemental Indenture or the Notes for any of the following purposes: (a) to evidence the succession of another corporation to the Bank and the assumption by any such successor of the obligations of the Bank contained in the Indenture, the Supplemental Indenture and the Notes, (b) to add to the covenants of the Bank, or to surrender any right or power conferred upon the Bank in the Indenture, in the Supplemental Indenture or in the Notes, for the benefit of the Holders of the Notes, (c) to cure any ambiguity, defect, omission or inconsistency to correct or supplement any provision in the Indenture, in the Supplemental Indenture or in the Notes that may be inconsistent with any other provision herein or therein, (d) to conform the text of the Indenture, the Supplemental Indenture or the Notes to any provision in this “Description of Notes,” to provide for the issuance of Additional Notes and to set forth the terms thereof and/or to add to the rights of the Holders of the Notes, (e) to evidence and provide for the acceptance of appointment by another corporation as a successor Trustee and to add to or change any of the provisions of the Indenture, the Supplemental Indenture or the Notes as shall be necessary to provide for or facilitate the administration of the trusts thereunder by more than one Trustee, (f) to establish any form of security as provided for in the Indenture or the Supplemental Indenture and the issuance of and terms thereof or (g) to make any other change as will not adversely affect the interest of the Holders of the Notes in any material respect. No amendment, supplement or waiver for the purposes identified in clause (b), (c) or (g) may be entered into unless to do so would not materially adversely affect the interest of the Holders of the Notes; *provided* that no amendment, supplement or waiver for the purposes identified in clause (g) may be entered into unless to do so would not, as evidenced by an Opinion of Counsel delivered to the Trustee, materially adversely affect the interest of the Holders of the Notes.

In addition, and subject to the Indenture, Peruvian Banking Law and the Subordinated Debt Regulation and, if then required, with the prior approval of the SBS (and/or any other then-applicable Peruvian Governmental Authority), the Bank and the Trustee may, with the consent of the holders of not less than a majority in aggregate principal amount of all outstanding series issued under the Indenture (including the Notes) (or, with respect to the Notes, the Holders of not less than a majority in aggregate principal amount of the Notes), by act of said Holders delivered to the Bank and the Trustee, enter into an amendment,

supplement or waiver to the Indenture, the Supplemental Indenture or the Notes for the purpose of modifying in any manner the rights of the holders of the securities under the Indenture, any supplement thereto and/or any securities issued thereunder (including the Notes); *provided* that no such amendment, supplement or waiver will, without the consent of the holder(s) of each of such outstanding securities affected thereby:

(a)(i) change the maturity of any payment of the principal of, or any installment of interest on, any Note, (ii) reduce the principal amount or the interest payable thereon, (iii) change the method of computing the amount of principal thereof or interest payable thereon on any date, (iv) change any place of payment where, or the coin or currency in which, the principal or interest thereon are payable or (v) impair the right of Holders of the Notes to institute suit for the enforcement of any such payment on or after the date when due,

(b) reduce the percentage in aggregate principal amount of the outstanding Notes, the consent of whose Holders is required for any such amendment, supplement or waiver or the consent of whose Holders is required for any waiver of compliance with certain provisions of the Indenture, the Supplemental Indenture or the Notes or certain defaults thereunder and their consequences provided for in the Indenture, the Supplemental Indenture and/or the Notes, or

(c) modify any of the provisions of certain sections of the Indenture, including the provisions summarized in this paragraph, except to increase any such percentage or to provide that certain other provisions of the Indenture, the Supplemental Indenture or the Notes cannot be modified or waived without the consent of the Holder of each outstanding Note.

Notwithstanding the above, any amendment to, or waiver of, the subordination provisions of the Indenture that adversely affects the rights of holders of the securities issued under the Indenture will require the consent of such holders of at least two-thirds of the aggregate principal amount of such outstanding securities. In addition, no amendment may make any change that adversely affects the ranking of Senior Obligations as set forth in the Peruvian Banking Law unless the creditors of such Senior Obligations (or any representative thereof authorized to give a consent) consent to such change.

The Bank may, but will not be obligated to, fix a record date for the purpose of determining the Persons entitled to consent to any amendment, supplement or waiver to the Indenture, the Supplemental Indenture or the Notes. If a record date is fixed, then the Holders on such record date, or their duly designated proxies, and only such Persons, will be entitled to consent to such amendment, supplement or waiver, whether or not such Persons remain Holders after such record date; provided that unless such consent shall have become effective by virtue of the requisite percentage having been obtained prior to the date that is six months after such record date, any such consent previously given shall automatically and without further action by any Holder be cancelled and of no further effect. The Indenture provides that, in determining whether the holders of the requisite principal amount of securities issued under the Indenture have consented to any amendment described herein, securities owned by the Bank or any other obligor of such securities, if any, or any affiliate of the Bank or of such other obligor, if any, will be disregarded and deemed not to be outstanding; *provided* that such will not apply with respect to amendments relating to one series of securities for which the Bank, any other obligor under such securities and/or any affiliate of the Bank or of such other obligor is/are the holder(s) (or beneficial owner(s)) of 100% of such securities.

Registrar, Transfer Agent and Paying Agents

The Bank of New York Mellon will act as the Bank's agent as security registrar for the Notes. The Bank of New York Mellon will also act as paying agent for the Notes. The Bank has the right at any time and from time to time to vary or terminate the appointment of any paying agents and to appoint one or more additional or replacement paying agent(s) in respect of the Notes. The Bank will not be required to register or cause to be registered the transfer of the Notes after the Notes have been called for redemption. Application has been made to admit the Notes for listing on the Official List of Euronext Dublin and to trading on GEM.

The Bank will not be required to transfer or exchange any Note between any Record Date and the related Interest Payment Date.

The Trustee

The Bank of New York Mellon will be the Trustee under the Indenture. The Indenture provides that, in case an Acceleration Event has occurred and is continuing, the Trustee will exercise with respect to the Notes such of the rights and powers vested in it by the Indenture, using the same degree of care and skill in their exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

In the absence of the occurrence of an Acceleration Event, the Trustee need only perform the duties specifically set forth in the Indenture and the Supplemental Indenture. The Indenture does not contain limitations on the rights of the Trustee under the Indenture, should it become the Bank's creditor, to obtain payment of claims. The Trustee is not precluded from engaging in other transactions and, if it acquires any conflicting interest, it is not required to eliminate such conflict or resign.

Conveyance of notices and other communications by DTC to its direct participants, by its direct participants to indirect participants (including Euroclear and Clearstream, Luxembourg or their depositaries) and by direct and indirect participants to beneficial owners of the Notes will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The address of the Trustee as of the date hereof is The Bank of New York Mellon, 240 Greenwich Street, Floor 7E, New York, New York 10286.

Notices

For so long as Global Notes are outstanding, notices to be given to the Holder of a Global Note will be given only to DTC (or to its nominee Cede & Co.) in accordance with its applicable policies as in effect from time to time. Notices to be given to Holders of Notes not in global form will be sent by mail to the respective addresses of such Holders as they appear in the security register maintained by the registrar and will be deemed sufficiently given if so mailed within the time prescribed. Failure to mail a notice or communication to a particular Holder or any defect in it will not affect its sufficiency with respect to other Holders. If a notice or communication is given to a Holder in the manner provided above, then it is duly given whether or not the addressee receives it.

From and after the date the Notes are listed on GEM, and so long as a listing on GEM is maintained and to the extent that such publication is required by the rules of Euronext Dublin, all notices to Holders will also be published in English in a daily newspaper of general circulation in the United States and in a daily newspaper of general circulation in the EU.

Notices to Holders of the Notes will be deemed to have been given on the date of mailing or delivery or of publication as stated in the preceding paragraph or, if published on different dates, on the date of the first such publication.

Governing Law; Submission to Jurisdiction

The Notes are being issued as redeemable subordinated debt under Article 233 of the Peruvian Banking Law and the regulations promulgated thereunder. The Indenture, the Supplemental Indenture and the Notes will be governed by, and construed in accordance with, the laws of the State of New York without giving effect to the conflict of laws provisions thereof; *provided* that, in the case of an Intervention of the Bank by the SBS or Liquidation of the Bank, and in connection with the subordination provisions of the Notes, the Peruvian Banking Law and the regulations promulgated thereunder will govern any such Intervention or Liquidation, and subordination, and will prevail over the application of any other law, regulation and contractual provision.

In the Indenture, the Bank will irrevocably: (a) consent to the jurisdiction of any court of the State of New York or any U.S. Federal court sitting, in each case, in the Borough of Manhattan, The City of New York, New York, United States of America, and any appellate court from any court thereof, and to the courts of its own corporate domicile, in respect of actions brought against it as a defendant, and (b) waives any immunity from the jurisdiction of such courts over any suit, action or proceeding that may be brought in connection with the Indenture, the Supplemental Indenture and/or the Notes and any right to which it may be entitled on account of place of residence or domicile. In addition, the Bank will irrevocably waive, to the full extent permitted by law, any objection to any suit, action or proceeding that may be brought in connection with the Indenture, the Supplemental Indenture and/or the Notes in such courts on the grounds of venue or on the ground that any such

suit, action or proceeding has been brought in an inconvenient forum. The Bank will also agree that final judgment in any such suit, action or proceeding brought in such court will be conclusive and binding upon it and may be enforced in any court to the jurisdiction of which the Bank is subject by a suit upon such judgment; *provided* that service of process is effected upon the Bank in the manner provided by the Indenture.

To the extent that the Bank or any of its properties, assets or revenues may have or may become entitled to, or have attributed to it, any right of immunity, on the grounds of sovereignty or otherwise, from any legal action, suit or proceeding, from the giving of any relief in any thereof, from setoff or counterclaim, from the jurisdiction of any court, from service of process, from attachment upon or prior to judgment, from attachment in aid of execution of judgment, from execution of a judgment or from any other legal or judicial process remedy in connection with the Indenture, the Supplemental Indenture and/or the Notes instituted in any state or federal court in the Borough of Manhattan, the City of New York, New York, or any competent court in Perú, with respect to its obligations, liabilities or any other matter under or arising out of or in connection with the Indenture, the Supplemental Indenture and/or the Notes brought by the Trustee or a Holder, it will in the Indenture irrevocably and unconditionally waive and agree, to the full extent permitted by law, not to plead or claim any such immunity and will consent to such relief and enforcement.

In the Indenture and the Supplemental Indenture, the Bank will agree that service of all writs, claims, process and summons in any suit, action or proceeding brought in connection with the Indenture, the First Supplemental Indenture and/or the Notes against the Bank in any court of the State of New York or any United States Federal court sitting, in each case, in the Borough of Manhattan, The City of New York, New York may be made upon C T Corporation System at 28 Liberty St., New York, New York 10005, United States, and it will irrevocably appoint C T Corporation System as its authorized agent to accept such service of any and all such writs, claims, process and summonses.

Certain Definitions

“*Acceleration Event*” means that the SBS has issued a resolution, decree, order or any other administrative act for the Intervention of the Bank by the SBS or the Liquidation of the Bank, in each case pursuant to the Peruvian Banking Law.

“*Benchmark Reset Rate*” means the yield determined in accordance with the following:

(a) the Bank will (or will cause one of its affiliates to), on (but no earlier than 4:15 p.m., New York City time (or after such time as yields on U.S. government securities are posted daily by the Board of Governors of the Federal Reserve System)) the third U.S. Business Day preceding the Reset Date, based upon the yield or yields for the most recent day that appear after such time on such day in the most recent H.15 under the caption “U.S. government securities–Treasury constant maturities–Nominal” (or any successor caption or heading), select, as applicable: (i) the yield for the Treasury constant maturity on H.15 exactly equal to the period from the Reset Date to the Stated Maturity Date (the “*Remaining Life*”), which yield will be the Benchmark Reset Rate, (ii) if there is no such Treasury constant maturity on H.15 exactly equal to the Remaining Life, two yields – one yield corresponding to the Treasury constant maturity on H.15 immediately shorter than and one yield corresponding to the Treasury constant maturity on H.15 immediately longer than the Remaining Life – and will interpolate to the Stated Maturity Date on a straight-line basis (using the actual number of days) using such yields and rounding the result to three decimal places (with 0.0005 being rounded upwards), which interpolated yield will be the Benchmark Reset Rate, or (iii) if there is no such Treasury constant maturity on H.15 shorter than or longer than the Remaining Life, the yield for the single Treasury constant maturity on H.15 closest to the Remaining Life (for purposes thereof, the applicable Treasury constant maturity or maturities on H.15 will be deemed to have a maturity date equal to the relevant number of months or years, as applicable, of such Treasury constant maturity from the Reset Date), which yield will be the Benchmark Reset Rate, and

(b) if on the third U.S. Business Day preceding the Reset Date H.15 or any successor designation or publication is no longer published, then the Bank will (or will cause one of its affiliates to) calculate the Benchmark Reset Rate based upon the rate *per annum* equal to the semi-annual equivalent yield to maturity at 11:00 a.m., New York City time, on the second U.S. Business Day preceding the Reset Date of the United States Treasury security maturing on the Stated Maturity Date; *however*, if: (i) there is no United States Treasury security maturing on the Stated Maturity Date but there are two or more United States Treasury securities with a maturity date equally distant from the Stated Maturity Date, one with a maturity date preceding the Stated Maturity Date and one with a maturity date following the Stated Maturity Date, then the Bank will (or will cause one of its affiliates to) select the United

States Treasury security with a maturity date preceding the Stated Maturity Date, and (ii) there are two or more United States Treasury securities maturing on the Stated Maturity Date or two or more United States Treasury securities meeting the criteria of clause (i), then the Bank will (or will cause one of its affiliates to) select from among these two or more United States Treasury securities the United States Treasury security that is trading closest to par based upon the average of the bid and asked prices for such United States Treasury securities at 11:00 a.m., New York City time (in so determining the Benchmark Reset Rate, the semi-annual yield to maturity of the applicable United States Treasury security will be based upon the average of the bid and asked prices (expressed as a percentage of principal amount) at 11:00 a.m., New York City time, of such United States Treasury security, and rounded to three decimal places (with 0.0005 being rounded upwards)).

“*Board of Directors*” means either the board of directors of the Bank or any duly authorized committee of the board of directors of the Bank.

“*Board Resolution*” means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Board of Directors to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

“*Business Day*” means a day that is a day other than Saturday, Sunday or a day on which banking institutions in New York City, United States or Lima, Perú, generally are authorized or required by law, regulation or executive order to remain closed.

“*Junior Obligations*” means: (a) all classes of the Bank’s share capital, (b) all equity instruments of the Bank (in Spanish: *instrumentos representativos de capital*) that qualify as Tier II Regulatory Capital, (c) all other securities, instruments, loans or other obligations of the Bank that qualify as Tier I Regulatory Capital and (d) all other securities, instruments, loans or other obligations of the Bank that, by operation of law or otherwise, rank either: (i) *pari passu* with any class of the Bank’s share capital with respect to the payment of dividends and distributions of assets upon liquidation, dissolution or winding-up or equivalent proceedings under Peruvian law or (ii) otherwise junior to the Bank’s obligations under the Notes.

“*Liquidation*” means the dissolution and liquidation process (*regimen de disolución y liquidación*) commenced by the SBS following the conclusion of the Intervention regime, as provided in Articles 114 to 129 of the Peruvian Banking Law.

“*Officer*” means, when used in connection with any action to be taken by the Bank, the Chairman of the Board of Directors, the Vice-Chairman of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer, an Assistant Treasurer, the Controller, an Assistant Controller, the Secretary or an Assistant Secretary of the Bank, its principal accounting officer or any other officer, employee or agent of the Bank duly authorized either by a Board Resolution or otherwise.

“*Officers’ Certificate*” means, when used in connection with any action to be taken by the Bank, a certificate signed by two Officers and delivered to the Trustee.

“*Opinion of Counsel*” means a written opinion of counsel, who may (except as otherwise expressly provided in the Indenture) be counsel to the Bank. Such counsel must be acceptable to the Trustee, whose acceptance will not be unreasonably withheld.

“*Parity Obligations*” means, other than the Notes: (a) all redeemable (in Spanish: *redimible*) securities or other obligations of the Bank that qualify as Tier II Regulatory Capital of the Bank other than those (including equity instruments of the Bank that qualify as Tier II Regulatory Capital) that constitute Junior Obligations and (b) any other securities, instruments, loans or other obligations of the Bank that, by operation of law or otherwise, rank *pari passu* with the Bank’s obligations under the Notes.

“*Person*” means an individual, partnership, corporation, limited liability company, unincorporated organization, trust or joint venture, or a governmental agency or political subdivision thereof.

“*Peruvian Governmental Authority*” means the government of Perú or any political subdivision thereof, whether state, regional or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other Person exercising

executive, legislative, judicial, taxing, regulatory or administrative powers, or functions of or pertaining to a government with jurisdiction, over the Bank.

“*Senior Obligations*” means: (a) all: (i) claims of the Bank’s creditors and (ii) other claims and obligations that, in each of clauses (i) and (ii), rank senior to the Notes in right of payment under mandatory provisions of Peruvian law, including all labor claims of the Bank’s employees, all claims of the Bank’s depositors and all claims of the Peruvian social security administration (in Spanish: *Seguro Social de Salud*) for the Bank’s healthcare obligations and claims for taxes, and (b) all claims of all of the Bank’s other creditors, except those in respect of the Notes, any Parity Obligations and any Junior Obligations.

Book-entry System; Delivery and Form

The Notes (or beneficial interests therein) are being offered and sold in connection with the initial offering thereof solely to QIBs pursuant to Rule 144A and in offshore transactions to persons other than “U.S. persons,” as defined in Regulation S, in reliance upon Regulation S. Following the initial offering of the Notes (or beneficial interests therein), the Notes (or beneficial interests therein) may be resold to QIBs pursuant to Rule 144A, non-U.S. persons in offshore transactions in reliance upon Regulation S and pursuant to Rule 144 under the Securities Act, as described in “Transfer Restrictions.” The Notes will be subject to certain restrictions on transfer and will bear a restrictive legend as set forth under “Transfer Restrictions.”

The Global Notes

Rule 144A Global Note. Notes offered and sold to QIBs pursuant to Rule 144A will initially be issued in the form of the Rule 144A Global Note. The Rule 144A Global Note will be registered in the name of Cede & Co. as nominee of DTC for credit to the respective accounts of the purchasers, or to such other accounts as they may direct, and will remain in the custody of The Bank of New York Mellon, as custodian for DTC pursuant to the FAST Balance Certificate Agreement between DTC and The Bank of New York Mellon, as custodian. At issuance, interests in the Rule 144A Global Note will be available for purchase only by QIBs.

Regulation S Global Note. Notes offered and sold in offshore transactions to non-U.S. persons in reliance upon Regulation S will initially be issued in the form of the Regulation S Global Note. The Regulation S Global Note, which will be registered in the name of Cede & Co. as nominee for DTC, will be deposited upon issuance with, or on behalf of, a custodian for DTC in the manner described in the preceding paragraph for credit to the respective accounts of the purchasers (or their brokerages), or to such other accounts as they may direct, including through Euroclear or Clearstream, Luxembourg as participants through depositaries in DTC.

Investors may hold their interests in the Regulation S Global Note directly through DTC, Euroclear or Clearstream, Luxembourg, if they are participants in such systems, or indirectly through organizations that are participants in such systems. Euroclear and Clearstream, Luxembourg will hold such interests in the Regulation S Global Note on behalf of their participants through customers’ securities accounts in their respective names on the books of their respective depositaries. Such depositaries, in turn, will hold such interests in the Regulation S Global Note in customers’ securities accounts in the depositaries’ names on the books of DTC.

Except as set forth below, the Global Notes may be transferred, in whole and not in part, solely to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in respect of the Global Notes may not be exchanged for Notes in physical, certificated form (referred to as “*Definitive Notes*”) except in the limited circumstances described below.

All interests in the Global Notes, including those held through Euroclear or Clearstream, Luxembourg, will be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream, Luxembourg will also be subject to the procedures and requirements of such systems.

Exchanges Among the Global Notes

Prior to the expiration of a 40 day period after the later of the commencement of the offering of the Notes to persons other than distributors and the Issue Date (the “*Distribution Compliance Period*”), transfers by an owner of a beneficial interest

in respect of the Regulation S Global Note to a transferee who takes delivery of this interest through the Rule 144A Global Note will be made only in accordance with applicable procedures and upon receipt by the Trustee of a written certification from the transferor of the beneficial interest in the form provided in the Regulation S Global Note to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A. Such written certification will no longer be required after the expiration of the Distribution Compliance Period.

Transfers by an owner of a beneficial interest in the Rule 144A Global Note to a transferee who takes delivery of such interest through the Regulation S Global Note, whether before or after the expiration of the Distribution Compliance Period, will be made only upon receipt by the Trustee of a certification from the transferor in the form provided in the Rule 144A Global Note to the effect that such transfer is being made in accordance with Regulation S or (if available) Rule 144 under the Securities Act.

Any beneficial interest in respect of one of the Global Notes that is transferred to a person who takes delivery in the form of an interest in another Global Note will, upon transfer, cease to be an interest in such Global Note and become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interests in such other Global Note for as long as it remains such an interest.

Certain Book-Entry Procedures for the Global Notes

The descriptions of the operations and procedures of DTC, Euroclear and Clearstream, Luxembourg set forth below are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to change by them from time to time. None of the Bank, the Trustee or the Initial Purchasers take any responsibility for these operations or procedures and investors are urged to contact the relevant system or its participants directly to discuss these matters.

DTC has advised the Bank that it is: (a) a limited purpose trust company organized under the laws of the State of New York, (b) a “banking organization” within the meaning of the New York Banking Law, (c) a member of the Federal Reserve System, (d) a “clearing corporation” within the meaning of the Uniform Commercial Code, as amended and (e) a “clearing agency” registered pursuant to Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitates the clearance and settlement of securities transactions between participants through electronic book-entry changes to the accounts of its participants, thereby eliminating the need for physical transfer and delivery of certificates. DTC’s participants include securities brokers and dealers (including the initial purchasers), banks and trust companies, clearing corporations and certain other organizations. Indirect access to DTC’s system is also available to other entities such as banks, brokers, dealers and trust companies, or indirect participants that clear through or maintain a custodial relationship with a participant, either directly or indirectly. Investors who are not participants may beneficially own securities held by or on behalf of DTC only through participants or indirect participants.

The Bank expects that, pursuant to procedures established by DTC: (a) upon deposit of each Global Note, DTC will credit the accounts of participants designated by the Initial Purchasers with an interest in such Global Note, and (b) ownership of beneficial interests in the Global Notes will be shown on, and the transfer of ownership thereof will be effected only through, records maintained by DTC (with respect to the interests of participants) and the records of participants and indirect participants (with respect to the interests of persons other than participants).

The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. Accordingly, the ability to transfer beneficial interests in a Global Note to such persons might be limited. In addition, because DTC can act only on behalf of its participants, who in turn act on behalf of persons who hold interests through participants, the ability of a person having a beneficial interest in a Global Note to pledge or transfer such interest to persons that do not participate in DTC’s system, or to otherwise take actions in respect of such interest, might be affected by the lack of a physical definitive security in respect of such interest.

So long as DTC or its nominee is the registered owner of a Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of such Global Note for all purposes under the Indenture and the Supplemental Indenture. Except as provided below, owners of beneficial interests in a Global Note will not be entitled to have their interests in such Global Note registered in their names, will not receive or be entitled to receive physical delivery of certificated Notes and will not be considered the owners or holders thereof under the Indenture or the Supplemental Indenture for any purpose,

including with respect to the giving of any direction, instruction or approval to the Trustee thereunder. Accordingly, each person owning a beneficial interest in a Global Note must rely upon the procedures of DTC and, if such person is not a participant, on the procedures of the participant (and, if applicable, indirect participant(s)) through which such person owns its interest, to exercise any rights of a Holder of Notes under the Indenture, the Supplemental Indenture or such Global Note. The Bank understands that under existing industry practice, in the event that it requests any action of the Holders of the Notes, or a person that is an owner of a beneficial interest in a Global Note desires to take any action that Cede & Co., as the Holder of such Global Note, is entitled to take, DTC would authorize the participants to take such action and the participants would authorize persons owning through such participants to take such action or would otherwise act upon the instruction of such persons. Neither the Bank nor the Trustee or any paying agent, security registrar or transfer agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of Notes by DTC, or for maintaining, supervising or reviewing any records of DTC relating to such Notes.

Payments with respect to the principal of and interest on any Global Note registered in the name of DTC or its nominee on the applicable Record Date or other date will be payable by the Trustee to or at the direction of DTC or its nominee in its capacity as the Holder of such Global Note. Under the terms of the Indenture, the Bank, the Trustee, the paying agents, the transfer, the security registrar and each of their respective agents may treat the person in whose name any Note, including the Global Notes, is registered as the owner of such Note for the purpose of receiving payment of principal and (subject to specific exceptions) interest on such Note and for any and all other purposes whatsoever, whether or not such Note be overdue, and none of the Bank, the Trustee, the paying agents, the transfer agent, the security registrar and each of their respective agents will be affected by notice to the contrary. Accordingly, neither the Bank nor the Trustee, any paying agent, security registrar or transfer agent has or will have any responsibility or liability for the payment of such amounts to owners of beneficial interests in a Global Note (including principal, premium, if any, and interest). Payments by the participants and indirect participants to the owners of beneficial interests in respect of a Global Note will be governed by standing instructions and customary industry practice and will be the responsibility of the participants or the indirect participants and DTC.

Transfers of beneficial interests in Global Notes between participants in DTC will generally have a settlement date two business days after the trade date (T+2); *provided* that, in February 2023, Rule 15c6-1 was amended by the SEC so that, effective as of May 28, 2024, such settlement period will be reduced to one business day in the United States. The customary arrangements for delivery versus payment will apply to such transfers. Transfers between participants in Euroclear or Clearstream, Luxembourg will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the Notes, cross-market transfers between the participants in DTC, on the one hand, and Euroclear or Clearstream, Luxembourg participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, Luxembourg, as the case may be, by its respective depositary; *however*, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, Luxembourg, as the case may be, by the counterparty in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or Clearstream, Luxembourg, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant Global Notes in DTC and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream, Luxembourg participants may not deliver instructions directly to the depositaries for Euroclear or Clearstream, Luxembourg.

Because of time zone differences, the securities account of a Euroclear or Clearstream, Luxembourg participant purchasing an interest in a Global Note from a participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream, Luxembourg participant, during the securities settlement processing day (which must be a Business Day for Euroclear and Clearstream, Luxembourg) immediately following the settlement date of DTC. Cash received in Euroclear or Clearstream, Luxembourg as a result of sales of interest in a Global Note by or through a Euroclear or Clearstream, Luxembourg participant to a participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream, Luxembourg cash account only as of the Business Day for Euroclear or Clearstream, Luxembourg following DTC's settlement date.

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures to facilitate transfers of interests in the Global Notes among participants in DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or to continue to perform such procedures and such procedures may be discontinued at any time.

Neither the Bank nor the Trustee or any paying agent, security registrar or transfer agent will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Definitive Notes

If: (a) at any time DTC notifies the Trustee that it is unwilling or unable to continue as a depositary for the Notes, the Trustee so notifies the Bank, or (b) at any time DTC ceases to be a clearing agency registered under the Exchange Act, then the Bank will appoint a successor depositary with respect to the Notes. If a successor depositary for the Notes is not appointed by the Bank within 90 days after the Bank receives such notice or becomes aware of such ineligibility, then the Bank will execute, and the Trustee or its agent, upon receipt of a request from the Bank for the authentication and delivery of Definitive Notes in exchange for such Global Notes, will authenticate and make available for delivery Definitive Notes of like tenor and terms in an aggregate principal amount equal to the principal amount of such Global Note in exchange for such Global Note.

The Bank may at any time and in its sole discretion determine that the Notes or any portion thereof issued or issuable in the form of one or more Global Notes will no longer be represented by such Global Note(s). In such event, the Bank will execute, and the Trustee, upon receipt of a request from the Bank for the authentication and delivery of Definitive Notes in exchange in whole or in part for such Global Note(s), will authenticate and make available for delivery Definitive Notes of like tenor and terms in an aggregate principal amount equal to the principal amount of such Global Note(s) or portion thereof in exchange for such Global Note(s).

If an Acceleration Event has occurred and is continuing and all principal of and accrued interest on the Notes have become immediately due and payable as provided in the Indenture and the Trustee has been advised by counsel that in connection with such Acceleration Event it is necessary or appropriate for the Trustee or the Holders of the Notes to obtain possession of such securities, then the Trustee may, in the reasonable exercise of its discretion, determine that the Notes shall no longer be represented by the Global Notes. In such event, the Bank will execute and the Trustee will authenticate and deliver, in exchange for the Global Notes, Definitive Notes of like tenor and terms in an aggregate principal amount equal to the principal amount of the Global Notes.

Upon any such issuance, the security registrar is required to register such Definitive Notes in the name of such person(s) (or the nominee of any thereof) and cause the same to be delivered thereto.

Neither the Bank nor the Trustee, any paying agent, security registrar or transfer agent will be liable for any delay by DTC or any participant or indirect participant in identifying the beneficial owners in the Global Notes and each such person may conclusively rely upon, and shall be protected in relying upon, instructions from DTC for all purposes (including with respect to the registration and delivery, and the respective principal amounts, of the Definitive Notes to be issued).

Replacement of Notes

If: (a) any mutilated Note is surrendered to the Trustee or the Bank or the Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Note and (b) there is delivered to the Bank and the Trustee such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the Bank or the Trustee that such Note has been acquired by a protected purchaser, the Bank will execute and upon its request the Trustee will authenticate and deliver, in lieu of any such destroyed, lost or stolen Note or in exchange for such mutilated Note, a new Note of like tenor and principal amount, bearing a number not contemporaneously outstanding.

Upon the issuance of any such new Note, the Bank may require from the applicable Holder the payment of a sum sufficient to cover any tax or other governmental charge imposed in connection therewith and any other expenses (including the fees and expenses of the Trustee) connected therewith.

TAXATION

This is a general summary of certain U.S. federal and Peruvian tax laws and other tax considerations in connection with an investment in the Notes. This summary does not address all aspects of U.S. federal and Peruvian tax law and other tax considerations or the laws of other jurisdictions (including any state or local tax law, including any jurisdiction in which an investor in the Notes is subject to taxes). While this summary is considered to be a correct interpretation of existing laws in force on the date of this Offering Memorandum, there can be no assurance that those laws or the interpretation of those laws will not change. This summary does not discuss all of the tax consequences that might be relevant to an investor in light of such investor's particular circumstances or to investors subject to special rules. In addition, each investor should note that the tax laws of such investor's jurisdiction might have an impact on the income received from the Notes.

Prospective investors in the Notes are advised to consult their tax advisors with respect to the tax consequences of the purchase, ownership or disposition of the Notes (or the purchase, ownership or disposition by an owner of beneficial interests therein) as well as any tax consequences that might arise under the laws of any state, municipality or other taxing jurisdiction (including of their respective citizenship, residence or domicile), including (but not limited to) the consequences of receipt of payments on the Notes and the disposal of investments in the Notes.

Certain U.S. Federal Income Tax Consequences

The following summary describes certain U.S. federal income tax consequences of the acquisition, ownership and disposition of a Note by a U.S. Holder (as defined below) whose functional currency is the U.S. dollar that acquires such Note in this offering from an Initial Purchaser at the price set forth in this Offering Memorandum and holds such Note as a capital asset for U.S. federal income tax purposes (generally, property held for investment). This summary does not address all aspects of U.S. federal income taxation that might be applicable to particular U.S. Holders subject to special U.S. federal income tax rules, including, among others, tax-exempt organizations, financial institutions, insurance companies, regulated investment companies, real estate investment trusts, accrual method taxpayers that prepare applicable financial statements (as described in Section 451(b) of the Code), dealers and traders in securities or currencies, U.S. Holders that will hold a Note as part of a "straddle," hedging transaction, "conversion transaction" or other integrated transaction for U.S. federal income tax purposes, U.S. Holders that enter into "constructive sale" transactions with respect to the Notes, U.S. Holders liable for alternative minimum tax, certain U.S. expatriates and U.S. Holders that tender Existing Tier II Notes pursuant to the Tender Offer. In addition, this summary does not address consequences to U.S. Holders of the acquisition, ownership and disposition of a Note under any other U.S. federal tax laws (e.g., estate or gift tax laws) or the tax laws of any state, locality or other political subdivision of the United States or other countries or jurisdictions.

As used herein, the term "*U.S. Holder*" means a beneficial owner of a Note that is for U.S. federal income tax purposes: (a) an individual who is a citizen or resident of the United States, (b) an entity taxable as a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (c) an estate the income of which is subject to U.S. federal income taxation regardless of its source or (d) a trust whose administration is subject to the primary supervision of a U.S. court and that has one or more United States person(s) (as defined under the Code) who have the authority to control all substantial decisions of the trust, or that has a valid election in effect under applicable U.S. Treasury regulations to be treated as a United States person. References in this section to a U.S. Holder holding a Note shall also refer to the holding of a beneficial interest in a Global Note.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds a Note, then the U.S. federal income tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. Therefore, a partnership holding a Note and its partners should consult their own tax advisors regarding the U.S. federal income tax consequences of the acquisition, ownership and disposition of a Note by the partnership.

The discussion below is based upon the Code, U.S. Treasury regulations promulgated thereunder and judicial and administrative interpretations thereof, all as in effect as of the date of this Offering Memorandum and any of which may at any time be repealed, revoked or modified or subject to differing interpretations, potentially retroactively, so as to result in U.S. federal income tax consequences different from those discussed below.

The summary of the U.S. federal income tax consequences set out below is for general information only. Investors in the Notes should consult their tax advisors as to the particular tax consequences to them of the acquisition, ownership and

disposition of an investment in the Notes, including the applicability and effect of state, local, foreign and other tax laws and possible changes in tax law.

Characterization of the Notes

Although the matter is not free from doubt, the Issuer believes that the Notes should be treated as debt for U.S. federal income tax purposes. It is possible, however, that the Internal Revenue Service (the “IRS”) of the United States of America would take the position that the Notes should be treated as equity for these purposes because of the limited acceleration rights and loss absorption features of the Notes. If the Notes were to be treated as equity for U.S. federal income tax purposes, then U.S. Holders might be subject to materially adverse U.S. federal income tax consequences, including being subject to greater amounts of U.S. tax and to additional U.S. tax form filing requirements if the Issuer is classified as a “passive foreign investment company” (“PFIC”) at any time that the U.S. Holder holds the Notes. In general, a non-U.S. corporation will be classified as a PFIC for any taxable year if at least: (a) 75% of its gross income is classified as “passive income” or (b) 50% of the average quarterly value of its assets produce or are held for the production of passive income. The application of the PFIC rules to banks is not entirely clear under present U.S. federal income tax law. No determination has been made as to whether the Issuer is currently, or might in the future become, a PFIC. U.S. Holders should consult their tax advisors regarding the potential re-characterization of the Notes as equity and the application of the PFIC rules. The balance of the discussion in this Offering Memorandum assumes that the Issuer’s position that the Notes are debt for U.S. federal income tax purposes will be respected.

Payments of Interest

Payments of interest on the Notes, including any Peruvian or other taxes withheld therefrom and any Additional Amounts paid in respect of such taxes, generally will be taxable to a U.S. Holder as ordinary income at the time that such payments are received or accrued, in accordance with such U.S. Holder’s usual method of accounting for U.S. federal income tax purposes. Interest paid on a Note generally will constitute foreign source income for U.S. federal income tax purposes and generally will be considered “passive” income, which is treated separately from other types of income in computing the foreign tax credit that may be allowable to U.S. Holders under U.S. federal income tax laws.

Subject to applicable restrictions and limitations, a U.S. Holder may be entitled to claim a U.S. foreign tax credit in respect of any Peruvian withholding taxes imposed upon interest received on the Notes. A U.S. Holder who does not elect to claim a U.S. foreign tax credit may instead claim a deduction in respect of the Peruvian withholding taxes, subject to generally applicable limitations under U.S. law (including that a U.S. Holder is not eligible for a deduction for otherwise creditable foreign income taxes paid or accrued in a taxable year if such U.S. Holder claims a foreign tax credit for any foreign income taxes paid or accrued in the same taxable year). U.S. Holders that are entitled to a refund for the taxes withheld under Peruvian tax law generally will not be entitled to a foreign tax credit or deduction for the amount of any Peruvian taxes withheld in excess of those taxes that may be refunded to them under Peruvian tax law.

U.S. Holders should be aware that recently issued U.S. Treasury regulations impose new requirements for foreign taxes to qualify as creditable taxes for U.S. federal income tax purposes, and there can be no assurance that any taxes imposed by Perú will qualify under these new requirements. The U.S. Treasury Department and the IRS are considering proposing amendments to the U.S. Treasury regulations. In addition, a recent notice from the IRS provides temporary relief from the U.S. Treasury regulations by allowing taxpayers to apply a modified version of the U.S. Treasury regulations for taxable years ending before the date that a notice or other guidance withdrawing or modifying the temporary relief is issued (or any later date specified in such notice or other guidance); *provided* that the taxpayer consistently applies such modified version of the U.S. Treasury regulations and complies with specific requirements set forth in a previous notice. Any withholding taxes imposed by Perú on payments of interest will generally qualify as potentially creditable taxes if a U.S. Holder applies a modified version of the U.S. Treasury regulations pursuant to the notice.

The rules relating to foreign tax credits or deducting foreign taxes are extremely complex and U.S. Holders are urged to consult their own tax advisors regarding the availability and advisability of claiming a foreign tax credit or a deduction with respect to any Peruvian taxes withheld from a payment on the Notes.

Sale, Exchange, Redemption and Retirement of Notes

Upon the sale, exchange, redemption, retirement at maturity or other taxable disposition of a Note, a U.S. Holder generally will recognize taxable gain or loss equal to the difference (if any) between the amount realized (*i.e.*, the amount of

cash and the fair market value of any property received on the disposition (except to the extent the cash or property received is attributable to accrued and unpaid interest, which will be treated like a payment of interest)) and the U.S. Holder's tax basis in the Note. A U.S. Holder's tax basis in a Note generally will equal the amount paid for the Note. Any such gain or loss recognized by a U.S. Holder will be capital gain or loss and will be long-term capital gain or loss if the Note was held by the U.S. Holder for more than one year. The deductibility of capital losses is subject to significant limitations under the Code.

Gain or loss realized by a U.S. Holder on the sale, exchange, redemption, retirement at maturity or other taxable disposition of a Note generally will be U.S. source gain or loss. Consequently, a U.S. Holder might not be able to claim a credit for any Peruvian tax imposed upon the disposition unless such credit can be applied (subject to applicable limitations) against U.S. federal income tax due on other income treated as derived from foreign sources; *however*, any such Peruvian tax would generally not qualify as a creditable tax for U.S. federal income tax purposes pursuant to the recently issued U.S. Treasury regulations described above (regardless of any other income that a U.S. Holder might have that is treated as derived from foreign sources), unless the U.S. Holder applies a modified version of the U.S. Treasury regulations pursuant to the recent notice described above. Any income tax imposed by Perú upon a taxable disposition of a Note will generally qualify as a potentially creditable tax (subject to applicable restrictions and limitations) if a U.S. Holder applies a modified version of the U.S. Treasury regulations pursuant to the notice. If any Peruvian tax imposed upon a taxable disposition of a Note is not creditable under the U.S. Treasury regulations, then such tax would generally reduce the amount realized by a U.S. Holder on the taxable disposition of the Note. Alternatively, if a U.S. Holder applies a modified version of the U.S. Treasury regulations pursuant to the notice described above, then such U.S. Holder may deduct any otherwise creditable Peruvian tax, subject to generally applicable limitations under U.S. law (including that a U.S. Holder is not eligible for a deduction for otherwise creditable foreign income taxes paid or accrued in a taxable year if such U.S. Holder claims a foreign tax credit for any foreign income taxes paid or accrued in the same taxable year). U.S. Holders should consult their advisors about the availability of U.S. foreign tax credits or deductions with respect to any Peruvian taxes imposed upon a disposition of Notes.

Information Reporting and Backup Withholding

Information returns may be filed with the IRS (unless the U.S. Holder establishes, if required to do so, that it is an exempt recipient) in connection with payments on the Notes and the proceeds from the sale, exchange or other disposition of Notes. If information reports are required to be made, then a U.S. Holder may be subject to U.S. backup withholding if it fails to provide its taxpayer identification number and otherwise comply with, or establish an exemption from, the backup withholding requirements. Backup withholding generally will be required on payments made within the United States on a Note to a U.S. Holder (other than an exempt recipient) if the U.S. Holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements.

Backup withholding is not an additional tax. The amount of any backup withholding imposed upon a payment will be allowed as a credit against any U.S. federal income tax liability of a U.S. Holder and may entitle the U.S. Holder to a refund, provided the required information is timely furnished to the IRS.

In addition, certain U.S. Holders are required to report information relating to their ownership of "specified foreign financial assets," which might include the Notes, subject to certain exceptions (including an exception for Notes held in accounts maintained by certain financial institutions).

U.S. Holders should consult their own tax advisors regarding any filing and reporting obligations they might have as a result of their acquisition, ownership or disposition of Notes.

Medicare Tax

Certain U.S. Holders who are individuals, estates or non-exempt trusts must pay an additional 3.8% tax on, among other things, interest on, and capital gains from the sale, exchange, redemption, retirement at maturity or other taxable disposition of, the Notes. U.S. Holders should consult their tax advisors regarding the effect, if any, of this tax on their investment in the Notes.

Certain Peruvian Tax Considerations

The following discussion is a summary of certain Peruvian tax considerations relating to an investment in the Notes by a person who is a non-Peruvian holder. For purposes of this section, “*Peruvian holder*” means the Holder of a Note (or the holder of a beneficial interest therein) who, for Peruvian income tax purposes, is treated as a resident of Perú. A legal entity is treated as a Peruvian tax resident if it has been incorporated in Perú or if it is deemed to be a permanent establishment in Perú of a foreign entity. An individual is deemed to be a Peruvian tax resident if such individual: (a) is a Peruvian citizen and has a regular residence in Perú or (b) is not a Peruvian citizen but has resided in Peru for at least 183 calendar days during the relevant 12-month period. The term “non-Peruvian holder” means the Holder of a Note (or the holder of a beneficial interest therein) who is not a Peruvian holder. References herein to a non-Peruvian holder holding a Note shall also refer to the holding of a beneficial interest in a Global Note.

The discussion is based upon current law and is for general information only. The discussion below is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership or disposition of the Notes that may be relevant to a decision to make an investment in the Notes. In addition, the following considerations are general and consequences might vary if a tax treaty signed by Perú is applicable. The tax treaties currently in force are those signed with Chile, Canada, Brazil, Portugal, Mexico, Korea, Switzerland, Japan and the “Decision 578” applicable to countries that are members of the Andean Community (Colombia, Ecuador, Bolivia and Perú). Each investor should consult its own tax advisors concerning the tax considerations applicable to its particular situation.

This discussion is based upon laws and relevant interpretations thereof in effect as of the date of this Offering Memorandum, all of which are subject to change, possibly with a retroactive effect. In addition, it does not describe any tax consequences: (a) arising under the laws of any taxing jurisdiction other than Perú or (b) applicable to a resident of Perú or a permanent establishment in Perú resulting either from the existence of a fixed place of business or appointment of a permanent representative.

The summary of the Peruvian tax consequences set out below is for general information only. Investors in the Notes should consult their tax advisors as to the particular tax consequences to them of owning investments in the Notes, including possible changes in tax law.

Income Tax

Payment of interest on the Notes. Interest paid on the Notes to non-Peruvian holders (which, in the case of the Global Notes, will be the nominee of DTC) will be treated as Peruvian-source income and will be subject to a Peruvian withholding income tax, which generally would be imposed at a rate of 30%; *however*, interest paid on bonds and other debentures issued by Peruvian issuers, such as the Notes, is subject to income tax withholding at a preferential rate of 4.99% so long as the following conditions are met: (a) the non-Peruvian holder and the Bank are not considered to be related parties pursuant to Peruvian tax laws and (b) in the case of non-Peruvian holders that are individuals, the interest: (i) does not derive from a transaction from or through a low or no-tax jurisdiction or a non-cooperative jurisdiction and (ii) is not subject to a preferred tax regime as defined by Peruvian law.

Considering that the Notes are not being listed on the BVL, the Bank is required to act as withholding agent for the income tax payable in connection with interest paid on the Notes to non-Peruvian holders.

Capital gains. Any gain by a non-Peruvian holder arising from the sale, exchange or other disposition of a beneficial interest in the Notes held through a foreign clearing system, such as DTC, will not be deemed to be Peruvian-source income and will therefore not be subject to Peruvian income tax. If the beneficial interests in the Notes are exchanged for Definitive Notes, however, then any capital gain arising from the sale, exchange or other disposition of such Definitive Notes by non-Peruvian holders will be subject to a 30% income tax rate. For such purposes, a non-Peruvian holder that is subject to Peruvian income tax will recognize a capital gain or loss on such a sale, exchange or other disposition equal to the difference between: (a) the amount realized on such sale, exchange or disposition and (b) the purchase price paid by such non-Peruvian holder for its investment, which must be certified by the Peruvian tax administration pursuant to a form submitted by the applicable non-Peruvian holder along with back-up documentation evidencing, among others, that the original purchase price was paid from, in or through a Peruvian bank account.

Additional Amounts. The Bank has agreed, subject to specific exceptions and limitations, to pay Additional Amounts in respect of certain Peruvian income taxes mentioned above. See “Description of Notes – Payment of Additional Amounts.”

Value Added Tax

Interest paid on the Notes is not subject to Peruvian value added tax (*Impuesto General a las Ventas*) (“VAT”). In addition, the sale, exchange or disposition of the Notes is not subject to VAT.

Financial Transactions Tax

In Perú, there is a financial transactions tax (the “*Peruvian FTT*”), which taxes at a rate of 0.005% any debit or credit made in an account (whether in Soles or another currency) opened with a Peruvian bank or any other financial institution. Therefore, any payment made in relation to the Notes from, into or through an account opened with a Peruvian bank or any other financial institution will be subject to the Peruvian FTT (as would any subsequent withdrawal of such amount). Likewise, interest and principal paid from or deposited into such an account will also be subject to the Peruvian FTT. The payer of any such Peruvian FTT would be the holder of the applicable account.

FATCA

Pursuant to FATCA, a “foreign financial institution” (as defined in FATCA) (a “*Foreign Financial Institution*”) may be required to withhold on certain payments it makes (“*Foreign Passthru Payments*”) to payees who fail to meet certain certification, reporting or related requirements. The Issuer is a Foreign Financial Institution for these purposes. A number of jurisdictions (including Perú) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“*IGAs*”), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as in effect as of the date of this Offering Memorandum, a Foreign Financial Institution in an IGA jurisdiction would generally not be required to withhold under FATCA or such IGA from Foreign Passthru Payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining Foreign Passthru Payments are published in the U.S. Federal Register, and instruments such as the Notes that are issued on or prior to the date that is six months after the date on which final regulations defining Foreign Passthru Payments are published in the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date.

Holders should consult their own tax advisors regarding how these rules might apply to their investment in the Notes. If any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, then in no event will the Issuer, any paying agent or any other person be required to pay any Additional Amounts or other amounts on the Notes for, or on account of, any FATCA withholding.

The Proposed Financial Transactions Tax

On 14 February 2013, the European Commission published a proposal (the “*Commission’s Proposal*”) for a Directive for a common financial transaction tax (“*FTT*”) that might apply in certain Member States of the EU (the “*Participating Member States*”); *however*, Estonia has since stated that it will not participate. The Commission’s Proposal has very broad scope and might, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission’s Proposal, the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution and at least one party is established in a Participating Member State. A financial institution might be, or be deemed to be, “established” in a Participating Member State in a broad range of circumstances, including: (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument that is subject to the dealings is issued in a Participating Member State; *however*, the FTT proposal remains subject to negotiation among the Participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear as of the date of

this Offering Memorandum. Participating Member States might decide to withdraw and additional Member States of the EU might decide to participate. Separately, certain members of the EU (including France, Italy and Spain) have introduced their own financial transaction taxes. Prospective investors in the Notes are advised to seek their own professional advice in relation to the FTT, other potentially applicable financial transaction taxes and their potential impact on the Notes.

CERTAIN CONSIDERATIONS FOR ERISA AND OTHER U.S. EMPLOYEE BENEFIT PLANS

Subject to the following discussion, the Notes (or beneficial interests therein) may be acquired with assets of an “employee benefit plan” (as defined in Section 3(3) of ERISA), that is subject to Title I of ERISA, a “plan” as defined in and subject to Section 4975 of the Code and any entity or account deemed to hold “plan assets” of any of the foregoing (each a “Benefit Plan Investor”), as well as “employee benefit plans” (as defined in Section 3(3) of ERISA), whether or not subject to Title I of ERISA, a “plan” (as defined in Section 4975 of the Code) and entities or accounts deemed to hold “plan assets” of any of the foregoing (collectively, with Benefit Plan Investors, referred to as “Plans”). Section 406 of ERISA and Section 4975 of the Code prohibit a Benefit Plan Investor from engaging in certain transactions with Persons who are “parties in interest” under ERISA or “disqualified persons” under the Code with respect to such Benefit Plan Investor. A violation of these “prohibited transaction” rules might result in an excise tax or other penalties and liabilities under ERISA and the Code for such Persons or the fiduciaries of such Benefit Plan Investor. In addition, Title I of ERISA requires fiduciaries of a Benefit Plan Investor subject to ERISA to make investments that are prudent, diversified and in accordance with the governing plan documents. Governmental plans, certain church plans and non-U.S. plans are not subject to the fiduciary responsibility provisions of ERISA and the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code; *however*, such Plans might be subject to any applicable state, local, other federal or non-U.S. law that is substantially similar to Title I of ERISA or Section 4975 of the Code (“*Similar Law*”).

An investment in the Notes by (or on behalf of) a Benefit Plan Investor could give rise to a prohibited transaction if the Bank, an Initial Purchaser, the Trustee, the Listing Agent or any of their respective affiliates is or becomes a party in interest or a “disqualified person” with respect to such Benefit Plan Investor. Certain exemptions from the prohibited transaction rules could be applicable to the acquisition or holding of an investment in the Notes by a Benefit Plan Investor depending upon the type and circumstances of the plan fiduciary making the decision to acquire such investment and the relationship of the party in interest or “disqualified person” to the Benefit Plan Investor. Included among these exemptions are: Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code for certain transactions between a Benefit Plan Investor and Persons who are parties in interest or “disqualified persons” solely by reason of providing services to the Benefit Plan Investor or being affiliated with such service providers; Prohibited Transaction Class Exemption (“PTCE”) 96-23, regarding transactions effected by “in-house asset managers;” PTCE 95-60, regarding investments by insurance company general accounts; PTCE 91-38, regarding investments by bank collective investment funds; PTCE 90-1, regarding investments by insurance company pooled separate accounts; and PTCE 84-14, regarding transactions effected by “qualified professional asset managers.” Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might or might not cover all acts that might be construed as prohibited transactions. There can be no assurance that any of these, or any other exemption, will be available with respect to any particular transaction involving the Notes, and prospective investors that are Benefit Plan Investors should consult with their legal advisors regarding the applicability of any such exemption.

In addition, because the Bank, an Initial Purchaser, the Trustee, the Listing Agent or any of their respective affiliates may receive certain benefits in connection with the sale or holding of the Notes (or a beneficial interest therein), the purchase of Notes (or a beneficial interest therein) using plan assets of a Benefit Plan Investor over which any of such parties has investment authority or provides investment advice for a direct or indirect fee with respect to the assets of the Benefit Plan Investor, or is the employer or other sponsor of the Benefit Plan Investor, might be deemed to be a violation of the prohibited transaction rules of ERISA or Section 4975 of the Code for which no exemption might be available. Accordingly, the Notes (and beneficial interests therein) may not be purchased using the assets of any Benefit Plan Investor if the Bank, an Initial Purchaser, the Trustee, the Listing Agent or any of their respective affiliates have investment authority, or render investment advice for a fee, with respect to the assets of the Benefit Plan Investor or is the employer or other sponsor of the Benefit Plan Investor unless an applicable prohibited transaction exemption is available to cover the purchase or holding of the Notes (or a beneficial interest therein) or the transaction is not otherwise prohibited. The foregoing discussion is general in nature and is not intended to be all inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries or other persons considering acquiring the Notes (or a beneficial interest therein) (and/or holding or disposing of the Notes (or a beneficial interest therein)) on behalf of, or with the assets of, any Plan consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any Similar Laws to such investment and whether an exemption would be applicable to such transaction. Investors have exclusive responsibility for ensuring that their purchase and holding of the Notes (or a beneficial interest therein) do not violate the fiduciary responsibility or prohibited transaction rules of ERISA, the Code or any applicable Similar Laws. The sale of Notes (or a beneficial interest therein) to a Plan is in no respect a representation by the Issuer, the Initial Purchasers or any of their respective affiliates or any person representing any such party that such an investment meets all legal requirements with respect to such investments by a Plan generally, or any particular Plan, or that such investment is

appropriate for Plans generally or any particular Plan.

By acquiring a Note (or a beneficial interest therein), each purchaser and transferee (and if such purchaser or transferee is a Plan, then its fiduciary) is deemed to represent and warrant to, and agree with, the Issuer that either: (a) it is not, and for so long as it holds the Note (or a beneficial interest therein) will not be, acquiring or holding a Note (or a beneficial interest therein) with the assets of a Benefit Plan Investor or a Plan that is subject to Similar Law, or (b) the acquisition, holding and disposition of the Note (or a beneficial interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of applicable Similar Law.

Prospective investors in the Notes are advised to consult their advisors with respect to the matters discussed above and other applicable legal requirements.

PLAN OF DISTRIBUTION

The Bank intends to offer the Notes through the Initial Purchasers. Subject to the terms and conditions stated in a purchase agreement in respect of the Notes entered into on March 4, 2024 among the Initial Purchasers and the Bank (the “*Purchase Agreement*”), each of the Initial Purchasers has severally (and not jointly nor jointly and severally) agreed to purchase, and the Bank has agreed to issue and sell to each of the Initial Purchasers, the principal amount of the Notes set forth opposite each Initial Purchaser’s name below at the issue price set forth on the cover of this Offering Memorandum.

<i>Initial Purchasers</i>	<i>Principal Amount of Notes</i>
BBVA Securities Inc.	US\$100,000,000
BofA Securities, Inc.	US\$100,000,000
Goldman Sachs & Co. LLC	US\$100,000,000
Total	US\$300,000,000

The Purchase Agreement provides that the obligation of the Initial Purchasers to purchase the Notes is subject to certain conditions precedent and that the Initial Purchasers will purchase all of the Notes if any of the Notes are purchased.

The Initial Purchasers are offering the Notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the Notes, and other conditions contained in the Purchase Agreement, such as the receipt by the Initial Purchasers of officer’s certificates and legal opinions. The Initial Purchasers reserve the right to withdraw, cancel or modify offers and to reject orders in whole or in part.

The Bank has been informed that the Initial Purchasers propose to resell beneficial interests in the Global Notes at the issue price set forth on the cover page of this Offering Memorandum to Persons reasonably believed to be QIBs in reliance upon Rule 144A and to non-U.S. persons in offshore transactions in reliance upon Regulation S. The prices at which beneficial interests in the Notes are offered may be changed at any time without notice.

Any Initial Purchaser might offer and sell beneficial interests in the Global Notes through any of its affiliates; *provided* that offers and sales of such beneficial interests in the United States will be made only by those Initial Purchasers or their respective affiliates that are registered broker-dealers under the Exchange Act or in accordance with Rule 15a-6 thereunder.

The Notes have not been and will not be registered under the Securities Act. The Initial Purchasers have agreed that they will offer or sell the Notes (or beneficial interests therein) only to QIBs pursuant to Rule 144A and in offshore transactions pursuant to Regulation S.

While application has been made by the Bank to Euronext Dublin for the Notes to be admitted to the Official List and to trading on GEM, the Notes constitute a new class of securities with a limited trading market. The Bank cannot provide any assurances to investors that the prices at which the Notes (or beneficial interests therein) will sell in the market will not be lower than the initial offering price or that an active trading market for the Notes will develop. The Initial Purchasers have advised the Bank that they currently intend to make a market in the Notes; *however*, they are not obligated to do so and they may discontinue any market-making activities with respect to the Notes at any time without notice.

One or more of the Initial Purchaser(s) (or persons acting on their behalf) might engage in transactions that stabilize, maintain or otherwise affect the market price of the Notes (or beneficial interests therein) during and after the offering of the Notes. Specifically, such Person(s) might overalloc or create a short position in the Notes (or beneficial interests therein) for their own account by selling more Notes (or beneficial interests therein) than have been sold to them by the Issuer (a “short sale”). Such Person(s) might also elect to cover any such short position by purchasing Notes (or beneficial interests therein) in the open market. In addition, such Person(s) might stabilize or maintain the market price of an investment in the Notes by bidding for or purchasing Notes (or beneficial interests therein) in the open market and might impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Notes are reclaimed if Notes (or beneficial interests therein) previously distributed in the offering are repurchased in connection with stabilization transactions or otherwise. The effect of these transactions might be to stabilize or maintain the market price of an investment in the Notes at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid might also affect the market price of an investment in the Notes to the extent that it discourages resales thereof. None of the Issuer or any of the Initial Purchasers makes any representation: (a) that any Initial Purchaser will engage in these transactions

or that these transactions, if commenced, will not be discontinued without notice or (b) as to the magnitude or effect of any such stabilizing or other transactions.

Investors in the Notes who wish to trade interests in the Notes on their trade date or otherwise before the Issue Date should consult their own advisor.

BBVA, the parent of one of the Initial Purchasers, is the controlling shareholder of the Bank as described in this Offering Memorandum. All or certain of the Initial Purchasers and their respective affiliates are full service financial institutions engaged in various activities, which might include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Initial Purchasers and/or certain of their respective affiliates might have performed investment banking and advisory services for the Issuer and/or the Issuer's affiliates from time to time for which they might have received fees, expenses, reimbursements and/or other compensation. The Initial Purchasers and/or certain of their respective affiliates might, from time to time, engage in transactions with, and perform advisory and other services for, the Issuer and/or the Issuer's affiliates in the ordinary course of their business. Certain of the Initial Purchasers and/or their respective affiliates have acted and expect in the future to act as a lender to the Issuer and/or other members of the Group and/or otherwise participate in transactions with the Group.

In the ordinary course of business, the Initial Purchasers and their respective affiliates have provided, and might in the future provide, investment banking, commercial banking, cash management, foreign exchange or other financial services to the Issuer and its affiliates for which they have received customary compensation and may receive compensation in the future. In addition, in the ordinary course of their business activities, the Initial Purchasers and their respective affiliates might make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities might involve securities and/or instruments of the Issuer and/or any of its affiliates. If any of the Initial Purchasers or their respective affiliates has a lending relationship with the Bank, certain of those Initial Purchasers or their respective affiliates routinely hedge, and certain other of the Initial Purchasers or their respective affiliates might hedge, their credit exposure to the Bank consistent with their customary risk management policies. Typically, these Initial Purchasers and their respective affiliates would hedge such exposure by entering into transactions that consist of either the purchase of credit default swaps or the creation of short positions in the Bank's securities, including potentially the Notes. Any such credit default swaps or short positions might adversely affect future trading prices of the Notes. The Initial Purchasers and their respective affiliates might also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

The Initial Purchasers and/or their respective affiliates are acting as dealer managers in connection with the Tender Offer and might receive proceeds from the Tender Offer to the extent that they own and tender Existing Notes pursuant to the Tender Offer. The Bank has agreed in the Purchase Agreement, in connection with the issue and offering of the Notes, to indemnify each Initial Purchaser against certain liabilities, including liabilities under U.S. securities laws, or to contribute to payments that the Initial Purchasers are required to make in respect of such liabilities.

The Bank has agreed that it will not, for a period of 45 days after the date of this Offering Memorandum, without the prior written consent of the Initial Purchasers, offer, sell, contract to sell or otherwise dispose of any debt securities substantially similar to the Notes in the international capital markets, except for Notes sold to the Initial Purchasers pursuant to the Purchase Agreement.

Selling Restrictions

Neither the Bank nor the Initial Purchasers are making an offer to sell, or seeking offers to buy, the Notes in any jurisdiction where the offer and sale is not permitted. An investor (or potential investor) in the Notes must comply with all applicable laws in force in any jurisdiction in which it purchases, offers or sells the Notes (or beneficial interests therein) or possesses or distributes this Offering Memorandum, and must obtain any consent, approval or permission required for its purchase, offer or sale of the Notes (or beneficial interests therein) under the laws in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales. Neither the Bank nor the Initial Purchasers will have any responsibility therefor.

Perú

The Notes will not be subject to a public offering in Perú. The Notes and the information contained in this Offering Memorandum have not been and will not be registered with or approved by the SMV or the BVL. Accordingly, the Notes (and beneficial interests therein) cannot be offered or sold in Perú except if: (a) the Notes have been registered with the SMV or (b) such offering is considered to be a private offering under the Peruvian securities laws. Peruvian securities laws establish, among other things, that an offer directed exclusively to institutional investors (as defined by Peruvian law) in Perú might qualify as a private offering. In making an investment decision, such institutional investors must rely upon their own examination of the terms of the offering of the Notes (and beneficial interests therein) to determine such investors' ability to invest in the Notes.

No offer or invitation to subscribe for or sell the Notes (or beneficial interests therein) may be made in Perú except in compliance with the securities law thereof.

European Economic Area

Each Initial Purchaser has represented and agreed that it has not offered, sold or otherwise made available (and will not offer, sell or otherwise make available) any of the Notes (or beneficial interests therein) to any EEA Retail Investor in the EEA. No key information document required by the PRIIPs Regulation for offering or selling the Notes (or beneficial interests therein) or otherwise making them available to EEA Retail Investors in the EEA has been prepared and, therefore, offering or selling the Notes (or beneficial interests therein) or otherwise making them available to any EEA Retail Investor in the EEA might be unlawful under the PRIIPs Regulation.

United Kingdom

Prohibition of Sales to UK Retail Investors. Each Initial Purchaser has represented and agreed that it has not offered, sold or otherwise made available (and will not offer, sell or otherwise make available) any of the Notes (or beneficial interests therein) to any UK Retail Investor in the UK. No key information document required by the UK PRIIPs Regulation for offering or selling the Notes (or beneficial interests therein) or otherwise making them available to UK Retail Investors in the UK has been prepared and, therefore, offering or selling the Notes (or beneficial interests therein) or otherwise making them available to any UK Retail Investor in the UK might be unlawful under the UK PRIIPs Regulation.

In the UK, this Offering Memorandum is being distributed only to and directed only at: (a) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended), (b) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of such Order or (c) those persons to whom it may otherwise lawfully be distributed (all such persons together being referred to as "*Relevant Persons*"). In the UK, this Offering Memorandum is directed only at Relevant Persons and must not be acted upon or relied upon by persons who are not Relevant Persons. In the UK, any investment or investment activity to which this Offering Memorandum relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. Any person in the UK that is not a Relevant Person should not act or rely upon this Offering Memorandum or any of its contents.

Belgium

Each Initial Purchaser has represented and agreed that an offering by such Initial Purchaser of the Notes (or beneficial interests therein) may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 of the Belgian Code of Economic Law, as amended (a "*Belgian Consumer*"), and that: (a) it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Notes (or beneficial interests therein) to any Belgian Consumer and (b) it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Notes, directly or indirectly, to any Belgian Consumer.

Hong Kong

Each of the Initial Purchasers has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, the Notes (or beneficial interests therein) other than: (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) and any rules made under the SFO or (ii) in other circumstances that do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “C(WUMP)O”) or that do not constitute an offer to the public within the meaning of the C(WUMP)O, and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes (or beneficial interests therein) that are or are intended to be disposed of only to Persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

Taiwan

The Notes have not been, and will not be, registered with the Financial Supervisory Commission of Taiwan, the Republic of China (“*Taiwan*”) pursuant to applicable securities laws. No person in Taiwan is authorized to distribute or otherwise intermediate the offering of the Notes (or beneficial interests therein) or the provision of information relating thereto, including (but not limited to) this Offering Memorandum. The Notes (and beneficial interest therein) may be made available for purchase outside Taiwan by investors residing in Taiwan (either directly or through properly licensed Taiwan intermediaries acting on behalf of such investors), but may not be issued, offered or sold in Taiwan.

Singapore

Each Initial Purchaser has acknowledged that this Offering Memorandum has not been and will not be registered as a prospectus with the MAS. Accordingly, each Initial Purchaser has represented and agreed that it has not offered or sold any Notes (or beneficial interests therein) or caused the Notes (or beneficial interests therein) to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes (or beneficial interests therein) or cause the Notes (or beneficial interest therein) to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Notes (or beneficial interests therein), whether directly or indirectly, to any Person in Singapore other than: (a) to an institutional investor (for the purposes of this section, as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA or (b) to an accredited investor (for the purposes of this section, as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the “*FIEA*”) and each Initial Purchaser has represented to and agreed that such Initial Purchaser will not offer or sell any Notes (or beneficial interests therein), directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Canada

The Notes (and beneficial interests therein) may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors (as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario)) and are permitted clients (as defined in National Instrument 31-103

Registration Requirements, Exemptions and Ongoing Registrant Obligations). Any resale of the Notes (or beneficial interests therein) must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable Canadian securities laws.

Securities legislation in certain provinces or territories of Canada might provide a Canadian investor with remedies for rescission or damages if this Base Prospectus (including any amendment hereto) contains a misrepresentation; *provided* that the remedies for rescission or damages are exercised by the investor within the time limit prescribed by the securities legislation of the investor's province or territory. The investor should refer to any applicable provisions of the securities legislation of its province or territory for particulars of these rights and/or consult with a legal advisor.

Pursuant to Section 3A.3 of National Instrument 33-105 Underwriting Conflicts (“NI 33-105”), the Initial Purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Switzerland

Each Initial Purchaser has acknowledged that, in Switzerland, this Offering Memorandum is not intended to constitute an offer or solicitation to purchase or invest in the Notes (or beneficial interests therein). Accordingly, each Initial Purchaser has represented and agreed that the Notes (and beneficial interests therein) have not been and will not be publicly offered, sold or advertised, directly or indirectly, by such Initial Purchaser in, into or from Switzerland within the meaning of the Swiss Financial Services Act, as amended (the “*FinSA*”) and no application has been or will be made to admit the Notes (or beneficial interests therein) to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Offering Memorandum nor any other offering or marketing material relating to the Notes constitutes a prospectus pursuant to the *FinSA* or has been or will be filed with or approved by a Swiss review body pursuant to Article 52 of the *FinSA*, and neither this Offering Memorandum nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Offering Memorandum nor any other offering or marketing material relating to the offering of the Notes has been or will be filed by the Issuer or any Initial Purchaser with or approved by any Swiss regulatory authority to admit the Notes to trading on the SIX Swiss Exchange or any other trading venue (exchange or multilateral trading facility) in Switzerland.

Chile

The Notes will not be registered under the Securities Market Law (*Ley de Mercado de Valores*) in the Securities Registry (*Registro de Valores*) or in the Foreign Securities Registry (*Registro de Valores Extranjeros*) of the Chilean Financial Markets Commission (*Comisión para el Mercado Financiero*, or the “*CMF*”) and, therefore, the Notes are not subject to the supervision of the CMF. As the Notes are not registered in Chile, the Issuer is not required to disclose public information about the Notes in Chile. Accordingly, the Notes (and beneficial interests therein) may not be publicly offered to persons in Chile unless they are registered in the corresponding securities registry.

Accordingly, the Notes (and beneficial interests therein) may only be offered in Chile in circumstances that do not constitute a public offering under Chilean law or in compliance with General Rule (*Norma de Carácter General*) No. 336 of the CMF, dated June 27, 2012 (“*CMF Rule 336*”). Pursuant to the Securities Market Law, a public offering of securities is an offering that is addressed to the general public or to certain specific categories or groups thereof. Considering that the definition of public offering is quite broad, even an offering addressed to a small group of investors might be considered to be addressed to a certain specific category or group of the public and therefore be considered public under applicable law; *however*, pursuant to CMF Rule 336, the Notes (and beneficial interests therein) may be privately offered in Chile to certain “qualified investors” (*inversionistas calificados*) identified as such therein (which in turn are further described in General Rule No. 216 of the CMF dated June 12, 2008).

CMF Rule 336 requires the following information to be noted to prospective investors in Chile: (a) the date of the commencement of the offer (*i.e.*, March 4, 2024), (b) that the Notes are not registered with either the Securities Registry (*Registro de Valores*) or the Foreign Securities Registry (*Registro de Valores Extranjeros*) of the CMF as the Notes not subject to the oversight of the CMF, (c) that, since the Notes are not registered in Chile, there is no obligation by the Issuer to make publicly

available information about the Notes in Chile and (d) that the Notes shall not be subject to public offering in Chile unless registered with the corresponding securities registry of the CMF.

Colombia

The Notes (and beneficial interests therein) may not be offered, sold or negotiated in Colombia except under circumstances that do not constitute a public offering of securities under applicable Colombian securities laws. Furthermore, foreign financial entities must abide by the terms of Decree 2555 of 2010 to offer privately the Notes (or beneficial interests therein) to Colombian clients.

Brazil

The offer and sale of the Notes has not been, and will not be, registered with the Brazilian Securities Commission (*Comissão de Valores Mobiliários*; the “CVM”) and, therefore, will not be carried out by any means that would constitute a public offering in Brazil under CVM Resolution No. 160 dated July 13, 2022, as amended, or unauthorized distribution under Brazilian law. The Notes will be authorized for trading on an organized non-Brazilian securities market (*i.e.*, GEM) and, in Brazil, may only be offered to Brazilian professional investors (as defined in the applicable CVM regulations), who may only acquire the Notes (or beneficial interests therein) through a non-Brazilian account with settlement outside of Brazil in non-Brazilian currency. The trading of the Notes (and beneficial interests therein) on regulated securities markets in Brazil is prohibited.

General

Each Initial Purchaser has represented and agreed that it will (to the best of its knowledge and belief) comply with all laws in force related to securities in any jurisdiction in which it purchases, offers, sells or delivers Notes (or beneficial interests therein) or possesses or distributes this Offering Memorandum and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes (or beneficial interests therein) under the laws in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Initial Purchasers shall have any responsibility therefore.

None of the Issuer and the Initial Purchasers represents that Notes (or beneficial interests therein) may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale.

TRANSFER RESTRICTIONS

As a result of the following restrictions, investors in the Notes are advised to consult legal counsel prior to making any purchase, offer, sale, resale, pledge or other transfer of the Notes (or beneficial interests therein).

This Offering Memorandum and the Notes have not been and will not be registered with or approved by the SMV, the BVL or any other regulatory authority in Perú, nor have any such authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this Offering Memorandum. Such registration is not required where the distribution of securities is made in accordance with the laws and rules of the countries in which the distribution is made; *provided* that this Offering Memorandum may not be publicly distributed in Perú and the Notes (and beneficial interests therein) cannot be offered or sold in Perú except if such offering is considered a private offering under the securities laws and regulations of Perú.

Other than the Initial Purchasers, each purchaser and transferee (and if such purchaser or transferee is a Plan, then its fiduciary) of Notes (or a beneficial interest therein) (other than a Person purchasing an interest in a Global Note with a view to holding it in the form of an interest in the same Global Note) or a Person wishing to transfer an interest from one Global Note to another or from global to definitive form will be required to acknowledge, represent and warrant to and agree with the Issuer, and each Person purchasing an interest in a Global Note with a view to holding it in the form of an interest in the same Global Note will be deemed to have acknowledged, represented and warranted to and agreed with the Issuer, as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

(a) that it is not an “affiliate” (as defined in Rule 144 under the Securities Act) of the Bank and is not acting on the Bank’s behalf and it is either: (i) a QIB, purchasing (or holding) the Notes (or beneficial interests therein) for its own account or for the account of one or more QIBs and it is aware that any sale to it is being made in reliance upon Rule 144A or (ii) not a U.S. person and is purchasing or acquiring the Notes (or a beneficial interest therein) in a transaction pursuant to an exemption from registration under the Securities Act,

(b) that: (i) the Notes (or beneficial interests therein) are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that such Notes (or a beneficial interest therein) have not been and will not be registered under the Securities Act or any other applicable U.S. federal or state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth herein, and (ii) this Offering Memorandum and the Notes have not been and will not be registered with or approved by the SMV or the BVL and, accordingly, no offer or invitation to subscribe for or sell the Notes (or beneficial interests therein) can be made in Perú except in compliance with the applicable Peruvian securities laws,

(c) that, unless it holds an interest in the Regulation S Global Note and is not a U.S. person, if in the future it decides to offer, resell, assign, transfer, pledge, encumber or otherwise dispose of the Notes (or beneficial interests therein), it will do so only: (i) to the Issuer or any affiliate thereof, (ii) to a Person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of one or more QIB(s) in a transaction meeting the requirements of Rule 144A or (iii) to persons in offshore transactions in reliance upon Regulation S, in each case in accordance with all applicable securities laws of the United States and all other jurisdictions,

(d) that it will give to each Person to whom it transfers a Note (or a beneficial interest therein) notice of any restrictions on the transfer of such Note (or a beneficial interest therein) in this section,

(e) that Notes (or beneficial interests therein) initially offered to QIBs pursuant to Rule 144A will be represented by the Rule 144A Global Note and that Notes (or beneficial interests therein) offered in offshore transactions to non-U.S. persons in reliance upon Regulation S will be represented by the Regulation S Global Note,

(f) that each Note issued pursuant to Rule 144A will bear a legend substantially in the following form (with, if in definitive form, appropriate revisions) unless otherwise agreed by the Issuer:

“UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“DTC” OR THE “DEPOSITARY”), TO THE BANK OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE

OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO., OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF (OR OF BENEFICIAL INTERESTS HEREIN) FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS NOTE IS A GLOBAL NOTE WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERENCED. UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR INDIVIDUAL NOTES, THIS GLOBAL NOTE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE: (a) BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY, (b) BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR (c) BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

THE NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “*SECURITIES ACT*”), OF THE UNITED STATES OF AMERICA OR ANY STATE SECURITIES LAWS OR THE LAWS OF ANY OTHER JURISDICTION. NEITHER THIS NOTE NOR ANY BENEFICIAL INTERESTS IN THIS NOTE MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT: (a) TO THE ISSUER OR AN AFFILIATE THEREOF, (b) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (“*QIB*”) WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIB(S) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT OR (c) TO PERSONS IN OFFSHORE TRANSACTIONS IN RELIANCE UPON REGULATION S. EACH PURCHASER OF THIS NOTE (OR OF A BENEFICIAL INTEREST HEREIN) IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE (OR OF A BENEFICIAL INTEREST HEREIN) MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER HEREOF, BY ACCEPTING THIS NOTE, REPRESENTS, WARRANTS, ACKNOWLEDGES AND AGREES, AND EACH BENEFICIAL OWNER, BY PURCHASING OR ACQUIRING A BENEFICIAL INTEREST HEREIN, IS DEEMED TO REPRESENT, WARRANT, ACKNOWLEDGE AND AGREE, FOR THE BENEFIT OF THE ISSUER AND FOR ANY AGENT OR SELLER WITH RESPECT TO THE NOTES, THAT: (a)(i) IT AND EACH PERSON FOR WHICH IT IS ACTING IS A QIB, (ii) IT IS AWARE THAT THE SALE OF THIS NOTE (OR BENEFICIAL INTERESTS HEREIN) TO IT ARE BEING MADE IN RELIANCE UPON RULE 144A AND (iii) IT IS ACQUIRING THIS NOTE (OR BENEFICIAL INTERESTS HEREIN) FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE PERSON(S) EACH OF WHOM IS A QIB IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT OR (b) IT AND EACH PERSON FOR WHICH IT IS ACTING IS A NON-U.S. PERSON PURCHASING IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF EACH STATE OF THE UNITED STATES.

THIS NOTE (AND BENEFICIAL INTERESTS THEREIN) CANNOT BE OFFERED OR SOLD IN PERÚ EXCEPT IN COMPLIANCE WITH APPLICABLE PERUVIAN SECURITIES REGULATIONS. THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH OR APPROVED BY THE PERUVIAN SUPERINTENDENCY OF CAPITAL MARKETS OR THE LIMA STOCK EXCHANGE.

EACH PURCHASER AND TRANSFEREE (AND IF SUCH PURCHASER OR TRANSFEREE IS A PLAN, THEN ITS FIDUCIARY) OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WILL BE DEEMED TO REPRESENT AND WARRANT TO, AND AGREE WITH, THE ISSUER THAT EITHER: (a) IT IS NOT, AND FOR SO LONG AS IT HOLDS THIS NOTE (OR A BENEFICIAL

INTEREST HEREIN) WILL NOT BE, ACQUIRING OR HOLDING THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WITH THE ASSETS OF: (i) AN “EMPLOYEE BENEFIT PLAN” AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”), OF THE UNITED STATES OF AMERICA THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (ii) A “PLAN” AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”), OF THE UNITED STATES OF AMERICA, (iii) ANY ENTITY OR ACCOUNT WHOSE UNDERLYING ASSETS INCLUDE “PLAN ASSETS” OF ANY OF THE FOREGOING OR (iv) A PLAN THAT IS SUBJECT TO ANY STATE, LOCAL, OTHER FEDERAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE (“SIMILAR LAW”), OR (b) THE ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF APPLICABLE SIMILAR LAW. FOR PURPOSES OF THE FOREGOING, A “PLAN” MEANS AN “EMPLOYEE BENEFIT PLAN” AS DEFINED IN SECTION 3(3) OF ERISA WHETHER OR NOT SUBJECT TO TITLE I OF ERISA, A “PLAN” AS DEFINED IN SECTION 4975 OF THE CODE OR ANY ENTITY OR ACCOUNT WHOSE UNDERLYING ASSETS INCLUDE “PLAN ASSETS” OF ANY OF THE FOREGOING.

THIS LEGEND MAY ONLY BE REMOVED AT THE OPTION OF THE ISSUER.”,

(g) if it holds a Regulation S Note (or a beneficial interest therein), then if it should offer, resell, assign, transfer, pledge, encumber or otherwise dispose such Note (or beneficial interest) prior to the expiration of the Distribution Compliance Period, it will do so only: (i)(A) in an offshore transaction in compliance with Rule 903 or 904 under the Securities Act or (B) to a QIB in compliance with Rule 144A, and (ii) in accordance with all applicable U.S. federal and state securities laws; and it acknowledges that such Notes (with appropriate revisions) will bear a legend in the following form unless otherwise agreed to by the Issuer:

“UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“DTC” OR THE “DEPOSITARY”), TO THE BANK OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO., OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF (OR OF BENEFICIAL INTERESTS HEREIN) FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS NOTE IS A GLOBAL NOTE WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERENCED. UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR INDIVIDUAL NOTES, THIS GLOBAL NOTE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE: (a) BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY, (b) BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR (c) BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

THE NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OF THE UNITED STATES OF AMERICA OR ANY STATE OR OTHER SECURITIES LAWS. PRIOR TO EXPIRATION OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN REGULATION S (“REGULATION S”) UNDER THE SECURITIES ACT), THIS NOTE (AND BENEFICIAL INTERESTS HEREIN) MAY NOT BE REOFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN AN OFFSHORE TRANSACTION (AS DEFINED IN REGULATION S) OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S), EXCEPT TO A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED UNDER RULE 144A (“RULE 144A”) UNDER THE

SECURITIES ACT) IN COMPLIANCE WITH RULE 144A ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF THE INDENTURE HEREINAFTER REFERENCED.

THIS NOTE (AND BENEFICIAL INTERESTS HEREIN) CANNOT BE OFFERED OR SOLD IN PERÚ EXCEPT IN COMPLIANCE WITH APPLICABLE PERUVIAN SECURITIES REGULATIONS. THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH OR APPROVED BY THE PERUVIAN SUPERINTENDENCY OF CAPITAL MARKETS OR THE LIMA STOCK EXCHANGE.

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(h)(i) that the Issuer, the Initial Purchasers and others and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees (or will be deemed to agree) that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it will promptly notify the Issuer and the applicable Initial Purchaser(s); and if it is acquiring any Notes (or beneficial interests therein) as a fiduciary or agent for one or more accounts it represents, that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account,

(i) that either: (A) it is not, and for so long as it holds a Note (or a beneficial interest therein) will not be, acquiring or holding such Note (or beneficial interest) with the assets of a Benefit Plan Investor or a Plan that is subject to Similar Law or (B) the acquisition, holding and disposition of such Note (or a beneficial interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of applicable Similar Law,

(j) that it will be deemed to acknowledge that the Registrar will not be required to accept for registration of transfer any Note acquired by it except upon presentation of evidence satisfactory to the Bank and the Registrar that the restrictions set forth herein have been complied with, and

(k) acknowledges that none of the Bank, the Initial Purchasers or any Person representing the Bank or the Initial Purchasers has made any representation to it with respect to the Bank or the offer or sale of any of the Notes (or a beneficial interest therein), other than the information contained in this Offering Memorandum, which has been delivered to the investor and upon which such investor is relying in making its investment decision with respect to the Notes (or beneficial interests therein); it acknowledges that the Initial Purchasers make no representation or warranty as to the accuracy or completeness of this Offering Memorandum; it has had access to such financial and other

information concerning the Bank and the Notes as it has deemed necessary in connection with its decision to purchase the Notes (or a beneficial interest therein), including an opportunity to ask questions of and request information from the Bank and the applicable Initial Purchaser(s).

No sale of Notes (or a beneficial interest therein) to any one purchaser will be for less than US\$200,000 principal amount and no Note will be issued in connection with such a sale in a smaller principal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, then each Person for whom it is acting must purchase at least US\$200,000 principal amount of Notes.

LEGAL MATTERS

Certain matters relating to the issuance of the Notes will be passed upon for the Bank by Mayer Brown LLP as to matters of New York and United States law and by Miranda & Amado as to matters of Peruvian law. Certain matters of New York and United States law will be passed upon for the Initial Purchasers by Simpson Thacher & Barlett LLP and certain matters of Peruvian law will be passed upon for the Initial Purchasers by Payet, Rey, Cauvi, Pérez Abogados.

ENFORCEMENT OF JUDGMENTS AND SERVICE OF PROCESS

The Bank is a Peruvian bank in the form of a *sociedad anónima abierta* (open-stock corporation) organized under the laws of Perú. Substantially all of the Bank's directors, officers, controlling persons and certain experts named herein reside outside the United States and all or a substantial portion of the Bank's and their respective assets are located outside the United States. As a result, it may not be possible for investors in the Notes to effect service of process within the United States upon such Persons, including with respect to matters arising under the federal securities laws of the United States, or to enforce against such Persons judgments of courts of the United States predicated upon the civil liability provisions of the federal securities laws of the United States or other laws of the United States or any state thereof.

Any final and conclusive judgment for a fixed and final sum obtained against the Bank in any foreign court having jurisdiction in respect of any suit, action or proceeding against the Bank for the enforcement of any of its obligations under the Indenture or the Notes, which (other than the subordination of the Notes) are governed by New York law, will, upon request, be deemed valid and enforceable in Perú through an *exequatur* judiciary proceeding (which does not involve the reopening of the case); *provided that*: (a) there is a treaty in effect between the country in which said foreign court sits and Peru regarding the recognition and enforcement of foreign judgments or (b) in the absence of such a treaty, the original judgment is recognized by the Peruvian courts (*Cortes de la República del Perú*); *provided that*, with respect to this clause (b), the following conditions and requirements are met:

(i) the foreign judgment does not resolve matters under the exclusive jurisdiction of Peruvian courts (and the matters contemplated in respect of this Offering Memorandum or the Notes are not matters under the exclusive jurisdiction of Peruvian courts),

(ii) such foreign court had jurisdiction under its own private international conflicts of law rules and under general principles of international procedural jurisdiction,

(iii) the Bank has received service of process in accordance with the laws of the place where the proceeding took place, was granted a reasonable opportunity to appear before such foreign court and was guaranteed due process rights,

(iv) the foreign judgment has the status of *res judicata* as defined in the jurisdiction of the court rendering such judgment,

(v) no pending litigation in Peru between the same parties for the same dispute was initiated before the commencement of the proceeding that concluded with the foreign judgment,

(vi) the foreign judgment is not incompatible with another judgment that fulfills the requirements of recognition and enforceability established by Peruvian law, unless such foreign judgment was rendered first,

(vii) the judgment is not contrary to Peruvian public policy (*orden público*) or good morals (*buenas costumbres*),

(viii) it is not proven that the foreign court that issued the foreign judgment has denied enforcement of Peruvian judgments or has engaged in a review of the merits thereof,

(ix) the judgment has been: (A) in case of jurisdictions that are parties to the Hague Apostille Convention, duly apostilled by the competent jurisdiction of the issuing court, or (B) in case of jurisdictions that are not parties to the Hague Apostille Convention, legalized before a notary public, the Ministry of Foreign Affairs or other corresponding entity of such country, the competent Peruvian consulate and before the Peruvian Ministry of Foreign Affairs (*Ministerio de Relaciones Exteriores del Perú*), and (in either case) is accompanied by (or originally issued in) a certified and officially translated copy of such judgment into Spanish, and

(x) the applicable court fees and/or filing fees have been paid.

The Bank has no reason to believe that any of its obligations subject to New York law relating to the Notes would be contrary to Peruvian public policy (*orden público*), good morals (*buenas costumbres*) or international treaties binding upon Perú or generally accepted principles of international law. No treaty exists between the United States and Perú for the reciprocal enforcement of foreign judgements. Peruvian courts, however, have enforced judgements rendered in the United States based upon principles of reciprocity and comity.

Certain of the Bank's properties might be subject to the exemption set forth under Article 616 of the Peruvian Civil Procedure Code (Legislative Decree No. 768, which sole unified text was approved through Ministerial Resolution No. 010-93-JUS), pursuant to which any private property designated for the rendering of indispensable public services might not be subject to preliminary attachments (*medidas cautelares*) that might affect the normal rendering of such services.

The United States does not currently have a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters with Perú. Therefore, unless the above-mentioned requirements are satisfied, a final judgment for payment of money rendered by a federal or state court in the United States based upon civil liability, whether or not predicated solely upon U.S. federal securities laws, might not be enforceable, either in whole or in part, in Perú; *however*, if the party in whose favor such final judgment was rendered brings a new suit in a competent court in Perú, then such party may submit to the Peruvian court the final judgment rendered in the United States. Under such circumstances, a judgment by a federal or state court of the United States might be regarded by a Peruvian court only as evidence of the outcome of the dispute to which such judgment relates and a Peruvian court might choose to re-hear the dispute. In addition, awards of punitive damages in actions brought in the United States or elsewhere are unenforceable in Perú. In the past, Peruvian courts have enforced judgments rendered in the United States based upon legal principles of reciprocity and comity.

In connection with any Proceedings in New York, service of process may be made upon the Bank at the offices of C T Corporation System (as of the date of this Offering Memorandum, with an address on the date of this Offering Memorandum at 28 Liberty St., New York, New York 10005, United States). This does not affect any other method of service allowed by law.

OTHER GENERAL INFORMATION

Authorization

The issuance of the Notes has been specifically authorized by a resolution of the Board of Directors of the Issuer dated December 14, 2023.

Legal Entity Identifier (LEI)

The Legal Entity Identifier (LEI) of the Issuer is 549300H1JNU0HLNFU552.

Listing of the Notes

Application has been made to Euronext Dublin for the Notes to be admitted to the Official List and to trading on GEM. It is expected that admission of the Notes to the Official List and to trading on GEM will be granted on the Issue Date, subject only to the issue of the Notes.

Listing Agent

Arthur Cox Listing Services Limited is acting solely in its capacity as Irish listing agent for the Bank in connection with the Notes and is not itself seeking admission of the Notes to the Official List or to trading on GEM.

Documents Available

For as long as the Notes are admitted to the Official List and to trading on GEM, the following documents (or copies thereof) may be inspected at the registered office of the Issuer:

- (a) the articles of association (with a certified English translation thereof) of the Issuer,
- (b) the Consolidated Annual Financial Statements or, when published, copies of the latest audited annual and unaudited interim financial statements of the Group (in English) delivered by the Bank (for the purpose of clarification, such Financial Statements are not, and shall not be deemed to be, included in this Offering Memorandum),
- (c) the Indenture and Supplemental Indenture (including the forms of the Notes), and
- (d) a copy of this Offering Memorandum.

In addition, for such period, copies of the documents described in clauses (a) through (d) are (or, as applicable, are expected to be) available in electronic format on the Issuer's website (as of the date hereof, at: <https://www.bbva.pe/>); *provided* that: (i) the articles of association of the Issuer can be found at <https://www.bbva.pe/personas/nuestro-banco/gobierno-corporativo.html> and (ii) the Financial Statements can be found at <https://www.bbva.pe/personas/nuestro-banco/investor-relations/informacion-financiera.html>. Such websites do not, and shall not be deemed to, constitute a part of, nor are incorporated into, this Offering Memorandum.

Clearing Systems

The Global Notes have been accepted into DTC's book-entry settlement system (CUSIP: 058950AA4 and ISIN: US058950AA48 with respect to the Rule 144A Global Note and CUSIP: P07760AH7 and ISIN: USP07760AH74 with respect to the Regulation S Global Note). The Notes' CFI Code is DBXUGR and their FISN is BANCO BBVA PER/SUB NT 2034 SUB SUB.

Scheduled payments on each Note will be paid only to the Person in whose name such Note was registered in the Register at the close of business on the applicable Record Date. With respect to Notes represented by a Global Note on a Record Date, this thus means that payment will be made by (on or behalf of) the Issuer to DTC (or its nominee) and, as a result, each holder of a beneficial interest in such Global Note should consider that DTC might credit the account of its applicable direct

participant(s) only after receipt of payment from the Issuer (including potentially applying such credits on a later day) and/or might use a different application process (such as a record date that differs from the Record Date), which payment such direct participants might themselves only credit to the account of their own customers as per their own timing and other procedures (and so on through any indirect participant(s) until the ultimate investor's account is credited with funds). Payments by DTC to its direct participants and then by such direct participants (and indirect participants) to their own customers will be governed by standing instructions and customary practices and will be the responsibility of DTC and such direct participants and indirect participants and not of the Issuer. For example, notwithstanding the Record Date established in the Indenture, the Issuer has been advised by DTC that, through DTC's accounting and payment procedures, DTC will, in accordance with its customary procedures, credit payments received by DTC on any payment date based upon DTC's direct participants' holdings of beneficial interests in the Notes on the close of business on the New York Business Day immediately preceding each such payment date (and participants are expected to credit such amounts to the accounts of their customers, which credits will be made pursuant to such participants' procedures). A "*New York Business Day*" for these purposes is a day other than a Saturday, a Sunday or any other day on which banking institutions in New York City, New York are authorized or required by law or executive order to close.

As of the date hereof, the address of DTC is Depository Trust Company, 55 Water Street, New York City, New York 10041, United States of America.

No Material Adverse Change or Significant Change

As of the date of this Offering Memorandum, the Issuer hereby confirms that, other than to the extent described in this Offering Memorandum, there has been: (a) no material adverse change in the prospects of the Issuer since December 31, 2023 and (b) no significant change in the financial or trading position of the Group since December 31, 2023.

Legal and Arbitration Proceedings

Neither the Bank nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings that are pending or threatened of which the Bank is aware) in the 12 months preceding the date of this Offering Memorandum that might have or in such period had significant effects on the Bank's and/or the Group's financial position or profitability.

Interests of Natural and Legal Persons Involved in the Issue

Except with respect to the fees to be paid to the Initial Purchasers, as far as the Bank is aware, no natural or legal person involved in the issue of the Notes has an interest, including a conflicting interest, that is material to the issue of the Notes. It should be noted that one of the Initial Purchasers (*i.e.*, BBVA Securities Inc.) is an affiliate of the Bank as both are subsidiaries of BBVA.

Independent Auditors

The information as of and for the years ended December 31, 2022 and 2023 in the Consolidated Annual Financial Statements and Unconsolidated Annual Financial Statements as of and for the years ended December 31, 2022 and 2023 was audited by EY as stated in its independent auditors' report included within each such Financial Statements.

The information as of and for the year ended December 31, 2021 included in the Consolidated Annual Financial Statements as of and for the year ended December 31, 2022 (except for the reclassifications as described in Note 2(h) of the Consolidated Annual Financial Statements as of and for the year ended December 31, 2022) was audited by the Bank's prior independent auditor KPMG. The information as of and for the year ended December 31, 2021 included in the Unconsolidated Annual Financial Statements as of and for the year ended December 31, 2022 (except for the reclassifications as described in Note 2(g) of the Unconsolidated Annual Financial Statements as of and for the year ended December 31, 2022) were audited by the Bank's prior independent auditor KPMG.

Each of EY and KPMG is an independent auditor in Perú and is authorized by the SBS to conduct independent audits of banks in Perú. EY is located at Av. Victor Andres Belaunde 171, San Isidro, Lima 27, Perú. KPMG is located at Av. Javier Prado Este 444, San Isidro, Lima 27, Perú.

Material Contracts

The Bank has not entered into any material contract outside the ordinary course of its business that could result in the Bank being under an obligation or entitlement that is material to its ability to meet its obligations to investors in respect of the Notes.

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Banco BBVA Perú and Subsidiaries

Consolidated financial statements as of December 31, 2023 and 2022
together with Independent Auditor's Report



Translation of financial statements originally issued in Spanish - Note 32

Banco BBVA Perú and Subsidiaries

Consolidated financial statements as of December 31, 2023 and 2022 together with Independent Auditor's Report

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Independent Auditors' Report

To the Shareholders of Banco BBVA Perú and Subsidiaries

Opinion

We have audited the consolidated financial statements of Banco BBVA Perú (a subsidiary of BBVA Perú Holding S.A.C., an entity incorporated in Peru, hereinafter "the Bank") and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2023, and the consolidated statements of income, income and other comprehensive income, changes in equity and cash flows for the year then ended; and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Banco BBVA Perú and Subsidiaries as of December 31, 2023, as well as its consolidated financial performance and cash flows for the year then ended, in accordance with the accounting standards established by the Superintendence of Banking, Insurance and Private Pension Funds Administrators ("SBS", by its Spanish acronym) for financial entities in Peru, see note 2.

Basis of the opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs) approved for application in Peru by the Board of Peruvian Associations of Certified Public Accountants. Our responsibilities under these standards are further described in more detail in the section Auditor's responsibilities for the audit of the consolidated financial statements of our report. We are independent of the Bank and Subsidiaries in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Peru, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Independent Auditors' Report (continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key Audit Matter	Audit response
Estimation of the provision for the non-retail loan portfolio under the regulations of the Superintendence of Banking, Insurance and Private Pension Funds Administrators ("SBS", by its Spanish acronym) As described in note 3(d) to the consolidated financial statements, the estimate of the provision for the non-retail loan portfolio is determined following the methodology defined by the SBS, which establishes the specific percentages for the calculation of the provision, which depend on the credit classification of the debtor. To define the debtor's credit rating, the Bank, among other relevant factors, considers: The debtor's payment experience, the history of commercial relations with the debtor's management, the history of operations, the debtor's ability to pay and availability of funds, the situations of collaterals and guarantees received, the analysis of the financial statements of the debtor, the risk of the debtor in other financial institutions in the market.	We gained an understanding, evaluated the design and tested the operational effectiveness of the controls of the estimation of the provision for non-retail loan portfolio under the regulations of the SBS, which included: - Methodology and criteria established for the calculation according to SBS required regulations. - Integrity and accuracy of the database in the Bank's systems. - Credit classification of non-retail loan portfolio, considering the Bank's methodology and SBS requirements. - Review of the calculation of the estimation of the provision for the non-retail loan portfolio in the Bank's systems. - Disclosure in the notes to the consolidated financial statements.

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

Independent Auditors' Report (continued)

Key Audit Matter	Audit response
Therefore, we consider that the estimation of the provision for the non-retail loan portfolio is a key audit matter; given that, to define the calculation rate of the provision, the debtor must be classified based on qualitative and quantitative variables in which the critical and professional judgment of the Bank's risk specialists intervenes.	In addition, we carried out detailed substantive procedures, which included: - We assessed whether the accounting policies defined by the Bank are coherent with SBS requirements. - We tested the integrity and accuracy of the data used in the provision calculation. - We inspected in a selective manner the credit classification of the debtor, assessing the reasonability of Management's most relevant assumptions. - We perform a recalculation of the estimate of the non-retail loan portfolio provision. - We evaluated the adequacy of disclosures in the notes to the financial statements.
Information Technology (IT) Environment The Bank's activities depend to a large extent on the efficient and continuous operation of information technology systems and technology infrastructures, which encompass a large number of IT applications and systems for the processing of all its operations (from significant volumes), accounting records and preparation of the consolidated financial statements. The Bank's IT system consists of a set of complex computer applications, essential in the Bank's various business operations. IT environment controls include: IT governance, overall IT controls over program development and changes, access to programs and data, and IT operations, therefore, such controls must be designed and operated effectively with the aim of ensuring the integrity of accurate accounting records and financial reports, in this way mitigate the potential risk of fraud or error. As same of importance are executed calculations of systems, other IT application controls, and interfaces between IT systems.	Assisted by our Information Technology (IT) specialists, our audit efforts focused on the Bank's key systems, related to the processing of its operations, accounting records and preparation of the consolidated financial statements of the Bank and its Subsidiaries carrying out, among others, the following procedures: - We evaluated and tested overall IT controls by performing: an understanding of IT governance, reviewing key (including compensatory) controls over application and data access management, application changes and developments, and IT operations. - We tested application controls, considering the design and operational effectiveness of critical automated controls to data processing, accounting records and the preparation of the financial statement. With respect to identified control deficiencies, we tested the design and operational effectiveness of compensation controls.

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

Independent Auditors' Report (continued)

Key Audit Matter	Audit response
	Therefore, we consider the information technology environment as a key issue, given that the reliability and security of IT systems plays a fundamental role in ensuring the correct treatment of data processing, accounting records and preparation of financial statements.
<i>Other information included in the Bank's 2023 Annual Report</i>	
Other information consists of the information included in the Bank's Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.	
Our opinion on the consolidated financial statements does not cover other information and we do not express any form of conclusion that provides a degree of assurance thereon.	
In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, to consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge gained in the audit or otherwise appears to be materially misstated. If, based on the work we have done, we conclude that there is a material error of this other information, we are obliged to report that fact. We have nothing to report in this regard.	
<i>Responsibilities of the Bank's management and corporate governance officers in relation to the consolidated financial statements</i>	
Management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with the accounting standards established by the Superintendence of Banking, Insurance and Private Pension Funds Administrators ("SBS", by its Spanish acronym) for financial entities in Peru, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.	

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

Independent Auditors' Report (continued)

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

Independent Auditors' Report (continued)

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

We communicate to those charged with the Bank's corporate governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Independent Auditors' Report (continued)

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

Lima, Peru
February 22, 2024



Countersigned by:



Sandra Luna Victoria Alva
Partner
C.P.C.C. Register No. 50093

Translation of financial statements originally issued in Spanish - Note 32

Banco BBVA Perú and Subsidiaries

Consolidated statement of financial position

As of December 31, 2023 and 2022

	Note	2023 S/(000)	2022 S/(000)
Assets			
Cash and due from banks	5	9,431,609	12,145,003
Interbank funds		17,009	-
Investments at fair value through profit or loss and available-for-sale investments	6	15,148,595	11,591,723
Loan portfolio, net	7	70,647,238	69,122,387
Trading derivatives	8	1,237,496	1,349,619
Hedging derivatives	8	-	3,659
Realizable, received in payment and seized assets		118,776	67,873
Non-current assets held for sale		94,162	86,007
Interests in associates	9	5,734	12,148
Property, furniture and equipment, net	10	1,192,939	1,077,726
Deferred tax	24	786,862	774,048
Other assets, net	11	5,643,382	1,815,253
Total assets		<u>104,323,802</u>	<u>98,045,446</u>
Contingent risks and commitments	16	<u>36,992,657</u>	<u>36,240,066</u>
Equity and liabilities			
Liabilities			
Obligations with the public and deposits from financial institutions	12	70,726,777	66,901,546
Interbank funds		378,451	-
Debts and financial obligations	13	5,907,327	4,036,978
Trading derivatives	8	1,076,972	1,245,843
Hedging derivatives	8	93,486	103,628
Accounts payable, provisions and other liabilities	14	13,771,121	14,504,077
Total liabilities		<u>91,954,134</u>	<u>86,792,072</u>
Equity	15		
Share capital		8,147,211	7,382,184
Reserves		2,245,122	2,053,490
Unrealized results		107,413	(91,052)
Retained earnings		1,869,922	1,908,752
Total equity		<u>12,369,668</u>	<u>11,253,374</u>
Total equity and liabilities		<u>104,323,802</u>	<u>98,045,446</u>
Contingent risks and commitments	16	<u>36,992,657</u>	<u>36,240,066</u>

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

Translation of financial statements originally issued in Spanish - Note 32

Banco BBVA Perú and Subsidiaries

Consolidated statement of income

For the years ended December 31, 2023 and 2022

	Note	2023 S/(000)	2022 S/(000)
Interest income	17	7,585,895	5,739,163
Interest expenses	18	(2,228,895)	(1,125,846)
Gross financial margin		<u>5,357,000</u>	<u>4,613,317</u>
Provision for direct loans, net of recoveries	7(g)	(1,963,483)	(984,612)
Net financial margin		<u>3,393,517</u>	<u>3,628,705</u>
Income from financial services, net	19	<u>1,013,670</u>	<u>893,408</u>
Net financial margin of income and expenses from financial services		<u>4,407,187</u>	<u>4,522,113</u>
Profit or loss from financial transactions	20	<u>846,939</u>	<u>620,496</u>
Operating margin		<u>5,254,126</u>	<u>5,142,609</u>
Administrative expenses	21	(2,474,631)	(2,146,352)
Depreciation and amortization		(230,856)	(209,980)
Net operating margin		<u>2,548,639</u>	<u>2,786,277</u>
Measurement of assets and provisions		(189,104)	(124,661)
Operating profit or loss		<u>2,359,535</u>	<u>2,661,616</u>
Other income and expenses, net	22	<u>74,027</u>	<u>14,006</u>
Profit before income tax		<u>2,433,562</u>	<u>2,675,622</u>
Income tax	23	(559,826)	(753,863)
Net profit		<u>1,873,736</u>	<u>1,921,759</u>
Basic and diluted earnings per share in soles	25	<u>0.2300</u>	<u>0.2359</u>
Weighted-average number of outstanding shares (in thousands of shares)		<u>8,147,211</u>	<u>8,147,211</u>

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

Translation of financial statements originally issued in Spanish - Note 32

Banco BBVA Perú and Subsidiaries

Consolidated statement of income and other comprehensive income

For the years ended December 31, 2023 and 2022

	2023 S/(000)	2022 S/(000)
Net profit	1,873,736	1,921,759
Other comprehensive income:		
Unrealized gain (loss) on available-for-sale investments	195,594	(40,995)
Unrealized gain (loss) on cash flow hedges	9,980	(30,095)
Interests in other comprehensive income of associates	(65)	(109)
Unrealized gains (loss) on actuarial liabilities	(3,228)	846
Income tax on items of other comprehensive income	(3,816)	12,005
Other comprehensive income for the period, net of income tax	<u>198,465</u>	<u>(58,348)</u>
Total comprehensive income for the year	<u>2,072,201</u>	<u>1,863,411</u>

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

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Banco BBVA Perú and Subsidiaries

Consolidated statement of changes in equity

For the years ended December 31, 2023 and 2022

	Number of shares in thousands (note 15(a))	Share capital(note 15(a)) S/(000)	Legal reserve (note 15(b)) S/(000)	Unrealized results (note 15(c)) S/(000)	Retained earnings (note 15(d)) S/(000)	Total equity S/(000)
Balance as of January 1, 2022	6,758,467	6,758,467	1,896,680	(32,704)	1,546,286	10,168,729
Net profit	-	-	-	-	1,921,759	1,921,759
Other comprehensive income						
Unrealized losses on available-for-sale investments	-	-	-	(37,618)	-	(37,618)
Unrealized losses on cash flow hedges	-	-	-	(21,217)	-	(21,217)
Unrealized losses on interests in other comprehensive income of associates	-	-	-	(109)	-	(109)
Unrealized gains on actuarial liabilities	-	-	-	596	-	596
Total comprehensive income for the year		-	-	(58,348)	1,921,759	1,863,411
Changes in equity (not included in comprehensive income):						
Dividends, note 15(d)	-	-	-	-	(779,647)	(779,647)
Capitalization of retained earnings, note 15(a)	623,717	623,717	-	-	(623,717)	-
Transfers to reserves and other movements, note 15(b)	-	-	156,810	-	(155,929)	881
Balance as of December 31, 2022	7,382,184	7,382,184	2,053,490	(91,052)	1,908,752	11,253,374
Balance as of January 1, 2023	7,382,184	7,382,184	2,053,490	(91,052)	1,908,752	11,253,374
Net profit	-	-	-	-	1,873,736	1,873,736
Other comprehensive income						
Unrealized gains on available-for-sale investments	-	-	-	193,770	-	193,770
Unrealized gains on cash flow hedges	-	-	-	7,036	-	7,036
Unrealized losses on interests in other comprehensive income of associates	-	-	-	(65)	-	(65)
Unrealized losses on actuarial liabilities	-	-	-	(2,276)	-	(2,276)
Total comprehensive income for the year				198,465	1,873,736	2,072,201
Changes in equity (not included in comprehensive income)						
Dividends, note 15(d)	-	-	-	-	(956,283)	(956,283)
Capitalization of retained earnings, note 15(a)	765,027	765,027	-	-	(765,027)	-
Transfers to reserves and other movements, note 15(b)	-	-	191,632	-	(191,256)	376
Balance as of December 31, 2023	8,147,211	8,147,211	2,245,122	107,413	1,869,922	12,369,668

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

Translation of financial statements originally issued in Spanish - Note 32

Banco BBVA Perú and Subsidiaries

Consolidated statement of cash flows

For the years ended December 31, 2023 and 2022

	Note	2023 S/(000)	2022 S/(000)
Reconciliation of the net profit to cash and flows			
from operating activities			
Net profit		1,873,736	1,921,759
Adjustments		2,829,447	1,885,532
Depreciation and amortization		230,856	209,980
Impairment of property, furniture and equipment, and intangible assets		45,056	48,400
(Impairment reversal) impairment of available-for- sale investments		(11,830)	267
Provisions		2,119,361	1,060,606
Other adjustments		446,004	566,279
Net changes in assets and liabilities		(2,488,792)	(708,401)
Loan portfolio		(3,966,290)	(357,317)
Available-for-sale investments		411,977	(148,457)
Accounts receivable and others		(3,432,641)	(30,575)
Unsubordinated financial liabilities		5,474,904	4,260,211
Accounts payable and others		(976,742)	(4,432,263)
Net profit for the period after net changes in assets, liabilities and adjustments		2,214,391	3,098,890
Paid income tax		(1,112,725)	(992,850)
Net cash and cash equivalents from operating activities		<u>1,101,666</u>	<u>2,106,040</u>
Cash flows from investing activities:			
Purchase of interests		-	(153)
Sale of intangibles and property, furniture and equipment		13,705	-
Acquisition of intangible assets and property, furniture, and equipment		(422,170)	(323,593)
Other cash inflows from investing activities		61,074	239,078
Net cash and cash equivalents used in investing activities		<u>(347,391)</u>	<u>(84,668)</u>

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Consolidated statement of cash flows (continued)

	Note	2023 S/(000)	2022 S/(000)
Cash flows from financing activities			
Cash outflows for redemption of subordinated financial liabilities		-	(78,190)
Cash paid for dividends	15(d)	(955,356)	(778,101)
Other cash inflows from financing activities		4,556,439	796,200
Other cash outflows from financing activities		<u>(3,100,152)</u>	<u>(3,574,144)</u>
Net cash and cash equivalents from (used in) financing activities		<u>500,931</u>	<u>(3,634,235)</u>
Net increase (decrease) in cash and cash equivalents before effects of exchange rate fluctuations		1,255,206	(1,612,863)
Effects of changes in exchange rates on cash and cash equivalents		(292,155)	(624,138)
Net increase (decrease) in cash and cash equivalents		963,051	(2,237,001)
Cash and cash equivalents at the beginning of the year		<u>17,583,751</u>	<u>19,820,752</u>
Cash and cash equivalents at the end of the year		<u>18,546,802</u>	<u>17,583,751</u>
Guarantee funds		849,482	699,639
Interbank funds		(17,009)	-
Investment with maturities of less than 90 days		<u>(9,947,666)</u>	<u>(6,138,387)</u>
Cash and due from banks per the consolidated statement of financial position	5	<u>9,431,609</u>	<u>12,145,003</u>

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

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Banco BBVA Perú and Subsidiaries

Notes to the consolidated financial statements

As of December 31, 2023 and 2022

1. Operations

(a) Identification and economic activity -

Banco BBVA Perú (hereinafter the Bank) is a subsidiary of BBVA Perú Holding S.A.C., which holds 46.12% of its share capital as of December 31, 2023 and 2022. Banco Bilbao Vizcaya Argentaria S.A. (hereinafter BBVA S.A.) holds 100% of the shares of BBVA Perú Holding S.A.C.

The Bank is a closely held corporation incorporated in 1951 and is authorized to operate as a banking institution by the Superintendence of Banking, Insurance and Private Pension Funds Administrators (hereinafter "SBS", by its Spanish acronym).

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

The Bank's legal domicile and headquarters is located at Av. República de Panamá N° 3055 - San Isidro, Lima, Peru.

The Bank holds 100% of the share capital with voting rights over its subsidiaries: BBVA Bolsa Sociedad Agente de Bolsa S.A., BBVA Asset Management S.A. SAF, BBVA Sociedad Titulizadora S.A., Inmuebles y Recuperaciones BBVA S.A., BBVA Consumer Finance EDPYME en liquidación, Forum Comercializadora del Perú S.A. en liquidación and Forum Distribuidora del Perú S.A. Even though the Bank does not hold share capital or voting rights over Continental DPR Finance Company B.V. (DPR), due to the characteristics of its corporate purpose and its relationship with the Bank, the accounting standards that govern the Bank require DPR's financial statements to be included on the consolidated basis with those of the Bank (all these companies including the Bank are denominated, hereinafter, BBVA Peru Group).

(b) Climate and Political juncture in Peru -

(i) Climate juncture

On March 12, 2023, on the wake of the sea-related, atmospheric and prospects of rainfall, as part of the impact of the Cyclone Yaku in Peru, the Peruvian Government instated a National Emergency in several provinces in Peru, given the damage caused by heavy rainfalls to the population's way of living. This was necessary for the government to be able to implement the necessary and immediate response and disaster relief measures and actions, on an exceptional basis, as appropriate.

Notes to the consolidated financial statements (continued)

(ii) Political juncture

On December 2022, after a series of political events, various acts of violence and vandalism against public and private institutions were generated, as well as attacks against the personal integrity of citizens and authorities in different regions of Perú. Given this situation, on December 14 and 15, 2022, the Cabinet Presidency enacted supreme decrees No143-2022-PCM and No144-2022-PCM, setting up a 30-day National Emergency, and also a mandatory social confinement for 5 days nationwide, respectively.

Due to these events increase the risk of economic losses and difficulties for the affected debtors to comply with the timely payment of their debts, on a preventive basis, the SBS authorized financial institutions to reschedule to its customers, see further detail in note 2(f).

In Management's opinion, these situations have not affected the Bank's operations nor have generated any significant impact on the consolidated financial statements presented as of December 31, 2023 and 2022.

(c) National State of Emergency (COVID-19 pandemic) -

On March 2020, the World Health Organization (WHO) declared a pandemic due to the coronavirus disease (COVID-19), and recommended contention and mitigation measurements worldwide. On March 15, 2020, the Peruvian government declared, through Supreme Decree No 044-2020-PCM, a national state of emergency due to the serious circumstances affecting people's life as a result of the COVID-19 outbreak. In October 2022, the Peruvian officially ended the National Emergency by means of Supreme Decree No 130-2022-PCM.

In coping with the COVID-19 pandemic, the Peruvian Government, the Ministry of Economy and Finance, the Central Reserve Bank of Peru (hereinafter BCRP, by its Spanish acronym) and the SBS, set a number of exceptional measures; see further detail in note 2(f).

(d) Approval of the consolidated financial statements -

The consolidated financial statements as of December 31, 2023 were approved by the Board of Directors on February 22, 2024 and will be submitted for approval by the General Shareholder's Meeting within the terms established by Law. In management and Board of Directors's opinions, the General Shareholder's Meeting will approve the accompanying consolidated financial statements without amendments. The General Shareholders' Meeting, held on March 30, 2023, approved the consolidated financial statements as of December 31, 2022.

Notes to the consolidated financial statements (continued)

2. Basis of preparation of the consolidated financial statements

(a) Statement of compliance -

The consolidated financial statements have been prepared and presented in accordance with the accounting standards established by the SBS for financial entities in Peru. Those standards are contained in the Accounting Manual for Financial Institutions (hereinafter the Accounting Manual) approved by SBS Resolution N° 895-98 on September 1, 1998 and effective January 1, 2001, including supplemental standards and amendments.

The SBS has established that, for situations not addressed in such standards, the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and made official in Peru by the Peruvian Accounting Board (CNC, for its Spanish acronym), are applied.

(b) Basis of consolidation -

The consolidated financial statements include the financial statements of the Bank and its subsidiaries that are part of the BBVA Peru Group, described in note 1(a), from the date control is obtained over those entities. The controls is obtained when the Bank is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Particularly, the Bank controls an investee if and only if it has all the following:

- Power over the investee; that is, the investor has existing rights that give it the current ability to direct the relevant activities,
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect the amount of the investor's returns.

In general, it is presumed that majority voting rights or similar rights in the investee grants control over the investee. The Bank considers all facts and circumstances when assessing whether it controls an investee, including:

- The contractual arrangement between the Bank and other voting right or similar right holders of the investee's.
- Rights arising from other contractual arrangements.
- The investor's voting rights, its potential voting rights and a combination of both.

The Bank reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the above-indicated three elements of control. Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. They are deconsolidated from the date that control ceases. Consolidated financial statements include the assets, liabilities, revenue and expenses of the Bank and its subsidiaries.

Translation of financial statements originally issued in Spanish - Note 32

Notes to the consolidated financial statements (continued)

Income for the period and each component of other comprehensive income are attributable to the owners of the controlling interest and to the share of non-controlling interests, even if this results in non-controlling interest with a negative balance. Adjustments are made to the financial statements of subsidiaries, when necessary, to align their accounting policies with those of the Bank.

All assets, liabilities, equity, revenue, expenses and cash flows related to transactions between entities that are consolidated by the Bank are eliminated in whole.

Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are recorded as equity transactions.

If the Bank ceases to have control over a subsidiary the related assets are derecognized (including goodwill), liabilities, non-controlling interest and other equity components, while any resulting profit or loss is stated in the consolidated statement of income. Any interest held in an investee is recognized at fair value.

Subsidiaries are all the entities over which the Bank has the power to govern its operating and financial policies. The consolidation ends at the date in which the Bank loses the control over them.

Translation of financial statements originally issued in Spanish - Note 32

Notes to the consolidated financial statements (continued)

As of December 31, 2023 and 2022, main balances of the BBVA Peru Group are the following:

In millions of soles	Assets		Liabilities		Equity	
	2023	2022	2023	2022	2023	2022
Entity						
Banco BBVA Perú	104,413	98,156	92,044	86,899	12,369	11,257
BBVA Bolsa Sociedad Agente de Bolsa S.A.(i)	55	86	41	68	14	19
BBVA Asset Management S.A. SAF (ii)	31	30	3	2	28	28
BBVA Sociedad Titulizadora S.A. (iii)	5	6	1	1	4	5
Inmuebles y Recuperaciones BBVA S.A. (iv)	153	183	1	121	152	62
Continental DPR Finance Company B.V. (v)	-	-	-	-	-	-
BBVA Consumer Finance Edpyme en liquidación (vi)	20	21	4	5	16	16
Forum Comercializadora del Perú S.A. en liquidación (vii)	2	2	-	-	2	2
Forum Distribuidora del Perú S.A. (viii)	145	106	112	75	33	31

- (i) BBVA Bolsa Sociedad Agente de Bolsa S.A. is a subsidiary of the Bank, in which it owns 100% of the shares with voting rights representing its share capital. Sociedad Agente de Bolsa is engaged in the intermediation of securities, mainly comprising purchase and sale of securities by orders of customers (owners of contract), as well as rendering advisory and information services to investors. Likewise, Sociedad Agente de Bolsa can carry out operations and services inherent to the brokerage activity in the stock market, authorized by the Superintendence of Securities Market (SMV, for its Spanish acronym).
- (ii) BBVA Asset Management S.A. Sociedad Administradora de Fondos is a subsidiary of the Bank, in which it owns 100% of the shares with voting rights representing its share capital. Sociedad Admnistradora is engaged in management of mutual and investment funds authorized to operate by the SMV, as well as acquisition and sale of securities. As of December 31, 2023, it manages 32 mutual funds of investments in securities, 2 private investment funds and 1 public investment fund (as of December 31, 2022: 25 mutual funds of investments in securities, 2 private investment funds and 1 public investment fund).
- (iii) BBVA Sociedad Titulizadora S.A. is a subsidiary of the Bank, in which it owns 100% of its shares with voting rights representing its share capital. Sociedad Titulizadora is dedicated to the function of trustee in securitization processes, as well as to acquire assets in order to establish trust funds that support the issuance of credit-bearing securities. As of December 31, 2023 and 2022, Sociedad Titulizadora manages the assets in 10 and 12 trust funds, respectively.
- (iv) Inmuebles y Recuperaciones BBVA S.A. is a subsidiary of the Bank, in which it owns 100% of the shares with voting rights representing its share capital. IRBSA is engaged to the trade of personal and real state property for its own use or for third parties, through the acquisition, sale, lease, import and export of such properties; as well as any other related activity, without any limitation. Likewise, IRBSA provides management services for the Bank's health care program.
- (v) Continental DPR Finance Company B.V. is a special purpose company created with the objective of securitizing remittances from abroad. On January 30, 2023, the company was registered in the Netherlands and is governed by the regulations of that country. The registration in the Netherlands was the result of the migration of Continental DPR Finance Company that was located in the Cayman Islands. The financing carried out through the special purpose company is guaranteed by the present and future flows generated by the electronic payment orders of clients (Diversified payments rights - DPR's).
- (vi) BBVA Consumer Finance Edpyme en liquidación, is a subsidiary of the Bank, in which it owns 100% of the shares with voting rights representing its share capital and is currently undergoing liquidation and wind-up.
- (vii) Forum Comercializadora del Perú S.A. en liquidación, is a subsidiary of the Bank, in which it owns 100% of the shares with voting rights representing its share capital and is currently undergoing liquidation and wind-up.
- (viii) Forum Distribuidora del Perú S.A. is a subsidiary of the Bank, in which it owns 100% of the shares with voting rights representing its share capital. Forum Distribuidora del Perú S.A. is engaged to direct and indirect financing for motor vehicle dealerships; including to trade, acquire and sell motor vehicles, on credit or cash, wholesale or retail, and take or give them in lease, assignment in use or any other modality allowed by Peruvian laws.

Notes to the consolidated financial statements (continued)

(c) Basis of measurement -

The consolidated financial statements were prepared in Peruvian soles based on the accounting records of the Bank under the historical cost principle, except for derivatives, financial instruments at fair value through profit or loss and the available-for-sale financial assets, which are measured at fair value.

(d) Functional and presentation currency -

The Bank prepares and present its consolidated financial statements in soles (S/ or PEN), which is the currency related to the main economic environment in which the Bank operates, such currency has influence on its transactions and services, among other factors. All figures are stated in thousands of soles and have been rounded to the nearest thousands, except when otherwise indicated.

(e) Use of judgments and estimates -

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses, and the disclosure of significant events in notes to the financial statements. The accounting estimates and underlying judgments used are reviewed on an ongoing basis and are based on historical experience and other factors. Actual results may differ from these estimates.

Adjustments resulting from the review of accounting estimates are recognized prospectively, recording the effect in the consolidated statement of income, at the year in which the revision is made.

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

- Determination of the fair value of investments, note 3(c) and note 30.
- Provisions for loan losses, note 3(e) and note 7.
- Provision for realizable, received as payment, and repossessed assets, note 3(g).
- Useful life of property, furniture and equipment, note 3(f) and intangible assets, note 3(h).
- Provision for income tax, note 3(p) and note 23.
- Deferred tax, note 3(p) and note 24.
- Determination of the fair value of derivative instruments, note 3(b) and note 30.
- Impairment of non-financial assets, note 3(j).
- Provision for contingencies, note 3(o)(i).

Notes to the consolidated financial statements (continued)

- (f) Major pronouncements issued by the SBS, the BCRP and the Government with an impact on the financial system -

As described in note 1(b) and (c), in addition to measures in order to support the economic recovery and growth of MYPEs (micro and small businesses), the Peruvian government, the Ministry of Economy and Finance, the BCRP and the SBS have issued the following regulations with an impact on the financial system:

Translation of financial statements originally issued in Spanish - Note 32

Notes to the consolidated financial statements (continued)

N°	Programs / Measures	Legal basis	Short description of programs / measures	Impact on the Bank
(i)	Loan rescheduling	Official letters N°10997-2020-SBS, N°11150-2020-SBS, N°11170-2020-SBS, N°12679-2020-SBS, N°13195-2020-SBS, N°13805-2020-SBS, N°14355-2020-SBS and N°15944-2020-SBS. Issued between March and July 2020	These official letters set exceptional measures applicable to the loan portfolio, intended to make debt repayment easier for customers of financial institutions that were affected by the restrictive measures taken by the Peruvian Government due to the COVID-19 pandemic. At the reporting date, these official letters are no longer effective.	As of December 31, 2023 and 2022 the balance of rescheduled loans with individual and mass portfolio evaluation under these official letters amounts to approximately S/270 million and S/593 million, respectively.
		Official letters N°13613-2021-SBS, N°6302-2021-SBS and N°08441-2023-SBS. Issued from February 2021 and February 2023.	Per these Official letters, the SBS entitled financial institutions to reschedule loans to their customers over 2021. At the reporting date, these official letters are no longer effective.	As of December 31, 2023 the balance of rescheduled loans with individual and mass portfolio evaluation due to social unrest amounts to S/519 million.
		Official letters N°54961-2022-SBS, N°03140-2023-SBS, N°03583-2023-SBS, N° 09702-2023-SBS, N°11235-2023-SBS and N°17305-2023-SBS. Issued between December 2022 and April 2023.	New supplemental prudential measures (loan rescheduling), issued in the framework of the Emergency Status instated due to the social unrest occurring in Peru. At the reporting date, those official letters were no longer effective.	As of December 31, 2023 the balance of rescheduled loans with mass portfolio evaluation due to climate effects amounts to S/126 million.
		Official letter N°12174-2023-SBS dated March 15, 2023.	The SBS included one single document with all prudential provisions for loan rescheduling issued up to the date, making relevant changes in the accounting records and making them applicable to the general Emergency Conditions resulting from the social unrest in the country and natural disasters with severe consequences affecting the lives of the population in certain areas of Peru or nationwide.	
		Official letter N°63223-2023-SBS dated November 6, 2023.	The SBS clarifies to the prudential measures related to rescheduling. The letter provides accounting clarifications and indications to not consider emergency status classified as “imminent danger” in future rescheduling.	
(ii)	Additional provisions for rescheduled loans	SBS resolution N°3922-2021 dated December 23, 2021.	The SBS set the requirement that for those loans that were rescheduled because of the COVID-19 pandemic, and accounted for as such, the financial institutions shall record additional provisions, as if they had a worse credit rating.	As of December 31, 2023 and 2022, the Bank recorded provisions for rescheduled loans of debtors rated as Normal, CPP and Substandard for approximately S/3 million and S/7 million, respectively.
(iii)	Reactiva Perú economic relief program	Legislative Decree N°1455-2020 dated April 6, 2020.	Instated with the following objectives:	As of December 31, 2023 and 2022, the Bank holds "Reactiva Peru" loans for around S/1,900 million and S/5,801 million note 7(c). The amounts secured by the Peruvian Government totaled S/1,675 million and S/5,296 million, respectively.
		Ministry Resolution N°134-2020-EF dated April 13, 2020.	- Respond to the liquidity needs faced by companies in the context of the COVID-19 pandemic. - Ensure continuity of the chain of payments.	
	Reactiva Perú Up until November 30, 2020		Using this program, the Government granted guarantees to back entities so they can obtain working capital credit facilities and meet their short-term obligations with workers and suppliers of goods and services. Guarantee range from 80% and 98% of the loan amount, whose maximum amount per customer was S/ 10 million, which was determined based on the total sales. Additionally, the Bank obtains the resources to grant these loans based on its repo transactions with the Central Reserve Bank of Peru (hereinafter BCRP), for the secured portion of the loan.	As of December 31, 2023 and 2022, the rescheduled loans including those obtained in the context of the health emergency and those under the Reactiva program totaled S/2,112 million and S/4,115 million, respectively, note 7(c).
	Reactiva Peru reschedulings up to December 31, 2021	Emergency Decree N°026-2021 dated March 6, 2021.	The Peruvian Government has ordered that loans granted under the Reactiva Perú program can be eligible for rescheduling, provided that they meet the requirement set by the applicable standards (mainly involving a decrease in sales). Loan rescheduling can be provided with Bank´s or BCRP´s funding. If Bank´s funding is used, the interest rate can be raised up to 25 basis points. The due dates set for customers to be able to obtain loan rescheduling expired on December 31, 2021.	
		Emergency Decree N°091-2021 September 30, 2021.		

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Notes to the consolidated financial statements (continued)

N°	Programs / Measures	Legal basis	Short description of programs / measures	Impact on the Bank
	New Reactiva rescheduling up to December 31, 2022	Emergency Decree N°011- 2022 dated May 13, 2022.	The possibility was raised for Reactiva program loans to be subject to new rescheduling up to S/10 mil million. Rescheduled loans will continue to be backed by the Peruvian Government. BCRP funding will be kept up to due date of the prior rescheduled loan, at which date, will be replaced with resources of the financial system.	
	Reactiva rescheduling extension until September 30, 2023	Emergency Decree N°026-2022 dated December 27, 2022. Ministry Resolution N°074-2023-EF/15 dated February 21, 2023. Emergency Decree N°029-2023 dated July 25, 2023 Ministry Resolution N°287-2023-EF/15 dated August 11, 2023.	For those loans from S/ 90,001 to S/ 10 million, decrease in sales of 30% or more in 2021, as compared to 2019, should be demonstrated. An extension of the due date to apply for rescheduling of Program-backed loans was ordered until September 30, 2023. Amendments were made to the Operating rules to the economic relief program called Reactiva, under which an extension is given to the loan rescheduling program originally granted under the Programa Reactiva Perú. Also, the possibility is set for new rescheduling for an additional grace period of 24 months to those loans that had been rescheduled under the provisions of Emergency Decree N° 011-2022. In this respect, a new rescheduling and another period of grace of up to 24 months were authorized to be granted to entities that had rescheduled their Reactiva loans in accordance with the provisions of Urgency Decree N° 011-2022.	
(iv)	Fondo Crecer Up to 2049	Legislative Decree N°1399 dated September 7, 2018. Supreme Decree N°007-2019-EF dated January 11, 2019. Law N°31683 dated February 09, 2023. Supreme Decree N°227-2023-EF dated October 25, 2023.	This is a program to secured loans obtained for working capital, fixed assets and export credits intended to bolster the productive development and growth of medium-sized and small entities. The maximum amount to be secured per customer is S/10 million. Amounts secured are up to 75% for microbusiness and small entities, up to 70% for medium-sized and up to 60% for exporters. The scope of application by beneficiaries of the relief fund called Fondo Crecer is amended to be used by microbusinesses, small and medium-sized entities according to the type of financing obtained under the criteria set by the SBS. Several articles of the rules for application of Legislative Decree N° 1399 were amended. This piece of legislation was enacted to promote and strengthen Micro, Small and Medium-sized entities and create Fondo Crecer, pursuant to Supreme Decree N° 007- 2019-EF as a way to implement the changes introduced by Law N° 31683.	As of December 31, 2023 and 2022, the Bank holds loans under this program for around S/118 million and S/133 million, respectively, note 7(c). The amounts secured by the Peruvian Government totaled S/75 million and S/86 million, respectively.
(v)	Repo transactipns with loan portfolio rescheduling	Circular N°0014-2020-BCRP dated April 3, 2020. Circular N°0021-2020-BCRP dated June 7, 2020. Circular N°033-2020-BCRP dated December 18, 2020 Official letter N°11518-2020 dated April 7, 2020 and Official letter N°12791-2020 dated May 8, 2020.	BCRP sets the characteristics and procedures for repo transactions of the loan portfolio secured by the Peruvian Government. At the selling date, the Bank receives the local currency (the sale amount) and, at the same time, it becomes engaged to repurchase such portfolio (repo amount). BCRP will draw down 80 percent of the funds to the Bank's checking account with the BCRP and the remaining portion will be credited to restricted account also held by the Bank with the BCRP. The ninth transitional provision supersedes Circular N° 0014-2020-BCRP to introduce changes in the provisions applicable to the Repo Transactions with Loan Portfolio represented by Securities for the purpose of making operability more flexible.	As of December 31, 2023 and 2022, the Bank holds repo transaction balances involving rescheduled loan portfolio for S/4,898 million and S/4,901 million, respectively, see note 14.

Notes to the consolidated financial statements (continued)

N°	Programs / Measures	Legal basis	Short description of programs / measures	Impact on the Bank
			BCRP has instated the possibility for financial institutions to obtain funding at 0.5% by means of Repo Transactions. Under this mechanism, financial system entities engage to reschedule loans to customers or portfolio bought from other financial system entities to reduce temporarily the interest rate over the period the transaction with the BCRP lasts. SBS has set the accounting model for repo transactions as well as some reporting requirements. Based on those official letters, the loan portfolio is not derecognized but provisions will continue to be made of the portfolio used in repo transaction.	
(vi)	Impulso MYPERU program	Law N°31658 “Ley que Crea el Programa Impulso Empresarial MYPE - IMPULSO MYPERU” dated December 29, 2022 and Ministry Resolution N°066-2023-EF/15 dated February 11, 2023. Emergency Decree N°039-2023 and Ministry Resolution N°419-2023-EF/15,dated November 29, 2023 and December 15, 2023; respectively.	The approved Law created the “Impulso MYPERU program” with the purpose of financing loans for debt consolidation, working capital, fixed assets and purchase of debt from MYPEs (the criteria was later expanded to include other companies). The scope and maximum amount were expanded and time limit of reception extended up to June 30, 2024. To date, the program is in force and has a fund of S/15,000 million to financing companies in all productive sectors of the country.	As of December 31, 2023, the Bank does not maintain a credit financing balance under the MYPE Business Impulse Program - IMPULSO MYPERU.

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Notes to the consolidated financial statements (continued)

Management considers the Bank has complied with all exceptional rules and measures set forth by the Peruvian Government, the Ministry of Economy and Finance, the Central Reserve Bank of Peru and the SBS established as a response of COVID-19 pandemic, social unrest and climate effects.

(g) New International Financial Reporting Standards (IFRS) -

(i) IFRS issued and effective in Peru as of December 31, 2023:

At the date of the consolidated financial statements, the CNC has issued the following resolutions:

- Resolution N°001-2023-EF/30 issued on March 30, 2023, which approves the modification to the International Accounting Standard - IAS 1 "Presentation of Financial Statements" and the International Financial Reporting Standard - IFRS 16 is approved "Leases".
- Resolution N°002-2023-EF/30 issued on June 23, 2023, which approves the Complete Set of International Financial Reporting Standards version 2023 is approved, as well as the Conceptual Framework for Financial Reporting.
- Resolution N°003-2023-EF/30 issued on August 16, 2023, which approves the Pre-Publication of the Peruvian Financial Reporting Standard for Microenterprises is approved.
- Resolution N°004-2023-EF/30 issued on December 5, 2023, which approves the use of the modifications to the International Accounting Standard - IAS 12 Income tax, International Financial Reporting Standard - IFRS 1 First-time adoption of International Financial Reporting Standards, International Accounting Standard - IAS 7 Statement of Cash Flows, International Financial Reporting Standard - IFRS 7 Financial Instruments: Disclosure and International Accounting Standard - IAS 21 Effects of variations in foreign currency exchange rates.

Application of the above-mentioned IFRS is effective one day after the date of the resolution or subsequently as indicated in each IFRS.

In 2019 IFRS 16 "Leases" became effective to replace IAS 17 "Leases", IFRIC 4 "Determining whether an arrangement contains a lease", SIC 15 "Operating leases - incentives" and SIC 27 "Evaluating the substance of transactions involving the legal form of a lease". The SBS issued official letter N° 467-2019 -SBS dated January 7, 2020 setting that IFRS 16 is not applicable by entities under its supervision.

Notes to the consolidated financial statements (continued)

IFRS 9 "Financial instruments" became effective in 2018 replacing IAS 39 "Financial instruments: Recognition and Measurement". At the reporting date, the SBS has not amended or modified its Accounting Manual for Financial Institutions to be consistent with that standard.

(ii) IFRS issued internationally but not effective as of December 31, 2023:

The following amendments to standards and interpretations to standards have been published by the IASB and are effective for reporting periods beginning on or after January 1, 2024:

- Amendments to IFRS 16 "Leases": Lease liability in a sale and leaseback
The amendments will be effective for annual periods beginning on or after January 1, 2024 and must be applied retroactively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Application is permitted advance as long as this fact is revealed.
- Amendments to IAS 1 "Presentation of financial statements": Classification of liabilities as current and non-current
In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The modifications will come into effect for periods beginning on or after January 1, 2024 and must be applied retroactively.
- Amendments to IAS 7 "Cash Flow Statements" and IFRS 7 "Financial Instruments: Disclosures": Supplier Finance Agreements
In May 2023, the IASB issued amendments to IAS 7 "Cash Flow Statements" and IFRS 7 "Financial Instruments: Disclosures" to clarify the characteristics of supplier financing arrangements and require additional information to be disclosed about such agreements. The amendments will be effective for annual periods beginning on or after January 1, 2024. Early application is permitted as long as this fact is disclosed.

As indicated in note 2(a), the above-mentioned standards and interpretation in (i) and (ii) will only be applicable to the Bank and its subsidiaries on a supplemental basis, to those indicated by the SBS, when situations arise that are not addressed in the Accounting Manual. Bank Management has not determined the effect on the preparation of its consolidated financial statements because the SBS has not adopted those accounting pronouncements.

Notes to the consolidated financial statements (continued)

3. Accounting principles and practices

In preparing and presenting the accompanying consolidated financial statements, Management of BBVA Peru Group has met the standards set by the SBS currently effective in Peru. Major accounting principles and practices implemented as of December 31, 2023 have not changed significantly in relation with those applied as of December 31, 2022, as summarized in the audit report dated February 23, 2023

(a) Financial instruments -

Recognition of financial instruments

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

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

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

Classification financial instruments:

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

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

Derecognition of financial assets and financial liabilities:

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

Notes to the consolidated financial statements (continued)

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

Impairment of financial assets:

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

Offsetting financial instruments:

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

(b) Derivative instruments -

Derivative instruments are recorded at trade date according with SBS Resolution 1737-2006 "Regulation on Trading and Accounting of Derivative Products in Financial Institutions" and amendments, derivative financial instruments are recorded on the negotiation date.

Held-for-trading instruments:

Held-for-trading instruments are initially recognized in the consolidated statement of financial position at fair value; subsequently, they are measured at fair value.

Future foreign currency operations ("forwards"), interest rate or currency exchange operations ("swaps") and options are recorded at their estimated market value, recognizing an asset or liability in the consolidated statement of financial situation, as appropriate, and the gain or loss from the valuation or settlement in the consolidated result for the year. The nominal value of derivative financial instruments is recorded in the committed or agreed currency, in contingent and/or memorandum accounts.

Notes to the consolidated financial statements (continued)

Hedge derivative instruments:

A hedging derivative financial instrument is recorded as such if, on the negotiation date, it is expected that the changes in its fair value or in the cash flows it generates will be highly effective in offsetting the changes generated in the hedged item, which it must be documented on the trading date of the derivative financial instrument, and during the coverage term. Pursuant to SBS Resolution N° 1737-2006 and amendments, a hedge is considered highly effective if changes in the fair value or cash flows of the hedged instrument and the instrument used as a hedge are expected to be within a range of 80% to 125% effective in reducing the risk associated with the hedged exposure.

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

(i) Fair value hedges-

Changes in the fair value of the hedge derivative instrument and hedge item is recognized in the consolidated statement of income, from the moment the hedge is designated and, provided it is effective.

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

ii) Cash flows hedges-

In a cash flow hedge, the derivative instrument is measured at fair value and may affect equity and profit or loss. The portion of the adjustment to its fair value is recognized in equity of the consolidated statement of income and other comprehensive income, while the ineffective portion is recognized in the consolidated statement of income.

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

Notes to the consolidated financial statements (continued)

(c) Investmentss -

BBVA Peru Group applies the recognition and measurement criteria to investments in instruments, in accordance with SBS Resolution N° 7033-2012 "Regulation on Classification and Measurement of Investments of Financial Institutions" and amendment as follows:

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

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

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

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

- ii) Held-to-maturity investments
This category includes debt instruments whose collections are of a fixed or determinable amount and whose maturities are fixed, and which also meet the following requirements: i) they have been acquired or reclassified with the intention of holding them until maturity; ii) BBVA Peru Group must have the financial capacity to hold them until maturity; and iii) they are instruments other than those that, at the time of initial recognition, BBVA Peru Group has designated to be accounted for at fair value through profit or loss, or as available-for-sale assets.

Likewise, they shall be classified by at least two local or international credit rating agencies and the classifications shall be within the parameters established by the SBS, being excluded from this requirement the instruments of Central Banks of countries whose sovereign debt receives at least the classification that corresponds to the sovereign debt of Peru.

Notes to the consolidated financial statements (continued)

Investments are initially measured at fair value plus transactions costs that are directly attributable to the instrument's acquisition.

The subsequent measurement of these investments is carried out at amortized cost, using the effective interest rate method. Any impairment loss is recognized in the consolidated statement of income.

iii) Available-for-sale investments

Available-for-sale investments are all investment instruments that are not classified as investments at fair value through profit or loss, held-to-maturity investments, or investments in subsidiaries, associates and joint ventures. Likewise, all instruments shall be included in this category as required by the SBS.

Investments are initially measured at fair value plus transactions costs that are directly attributable to the instrument's acquisition. Subsequent measurement of these investments is carried out at fair value; in the case of equity instruments that do not have prices quoted in active markets and whose fair value cannot be reliably estimated, they must be measured at cost. Likewise, in the case of debt instruments, prior to the measurement at fair value, shall be remeasured using the effective interest method, and gains or losses from the changes in fair value shall be recognized.

The gain or loss originated by the fluctuation of the fair value of the available-for-sale investments is recognized directly in equity until the instrument is sold or realized, at which time the gain or loss that previously recognized in equity is transferred and recorded in the consolidated result for the year, except for value impairment losses that are recorded in the results when presented.

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

Gains or losses from exchange differences related to equity instruments are recognized in equity as "unrealized results", while those related to debt instruments are recognized in the net profit for the period.

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

Notes to the consolidated financial statements (continued)

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

Impairment assessment -

SBS resolution N° 7033-2012, as amended, as well as SBS resolution N° 2610-2018 set a standard methodology for identifying impairment of available-for-sales investments and held-to-maturity investments. That methodology is to be applied quarterly to all debt and equity instruments as follows:

(I) Debt instrument:

At each quarter-end, involving the entire debt instrument portfolio, an assessment shall be conducted of whether the following has occurred:

1. Weakening of the financial position or financial ratios of issuer and its economic group.
2. Downgrading of the credit rating of the instrument or issuer, in at least two (02) "notches", from the date of acquisition of the instrument, where one "notch" reflects the minimum difference between two risk ratings inside one single rating scale.
3. Disruption of transactions or an active market for the financial asset, due to issuer's financial difficulty.
4. Observable inputs indicate that, from the initial recognition of a group of financial assets with similar characteristics to those of the assessed instrument, there is a measurable decrease in the estimated future cash flows, even though that decrease cannot yet be related to individual financial assets of the group.
5. Decrease in value due to changes in standards (tax, regulatory or governmental).
6. Significant decrease in fair value below the amortized cost. A significant decrease exists if the fair value at the closing date has decreased by at least 40% below its amortized cost at that date.
7. Prolonged decrease in fair value. A prolonged decrease exists if the fair value at the closing date has decreased by at least 20% as compared to the amortized cost of the prior twelve (12) months, and the fair value at each month's closing date for the period of the prior twelve (12) months has always been held below the amortized cost at the date of each month's closing date.

Notes to the consolidated financial statements (continued)

The fair value to be used to assess criteria 6 and 7 is that used in determining the value of debt instruments available for sale, under the criteria set by the above-mentioned resolution, regardless of the accounting classification given to the debt instrument. However, if the decrease in fair value of the debt instrument is fully due to an increase in risk-free interest rate, such a decrease shall not be considered an indicator of impairment.

In the event at least two (2) of the above-described conditions actually occur, it is said that impairment exists. In the event at least two (2) of the above-described conditions have not occurred, it will be enough to see one of the following specific conditions to occur to consider that impairment exists:

- (a) Noncompliance with contractual clauses, such as default in payment interest or not principal.
- (b) Renegotiating contractual terms of the instruments based on legal or financial issues involving the issuer.
- (c) Evidence exists that the issuer is undergoing mandatory restructuring or bankruptcy.
- (d) When the risk rating of an instrument that held investment grade is downgraded below the investment grade.

(II) Equity instrument:

At each quarter-end, involving equity instruments, an assessment shall be conducted of whether the following has occurred:

- 1. Downgrading the risk rating of any debt instrument of the issuer that was rated as investment grade to a rating that below the investment grade.
- 2. Significant changes have occurred in the technological, market, economic, or legal environment in which the issuer operates that may have adverse effects on the recovery of the investment.
- 3. Weakening of the financial position or financial ratios of issuer and its economic group.
- 4. Disruption of transactions or an active market for the financial asset, due to issuer's financial difficulty.
- 5. Observable inputs indicate that, from the initial recognition of a group of financial assets with similar characteristics to those of the assessed instrument, there is a measurable decrease in the estimated future cash flows, even though that decrease cannot yet be related to individual financial assets of the group.
- 6. Decrease in value due to changes in standards (tax, regulatory or governmental).

Notes to the consolidated financial statements (continued)

7. In the event at least two (2) of the above-described conditions actually occur, it is said that impairment exists. In the event at least two (2) of the above-described conditions have not occurred, it will be enough to see one of the following specific conditions to occur to be considered that impairment exists:
- (a) Significant decrease in fair value below the amortized cost. A significant decrease exists if the fair value at the closing date has decreased by at least 40% below its amortized cost. Cost or acquisition cost is always to be the initial cost, regardless of whether impairment had been previously recognized of the equity instruments assessed.
 - (b) Prolonged decrease in fair value. A prolonged decrease exists if the fair value at the closing date has decreased by at least 20% as compared to the amortized cost of the prior twelve (12) months, and the fair value at each month's closing date for the period of the prior twelve (12) months has always been held below the amortized cost at the date of each month's closing date.
 - (c) Noncompliance with statutory provisions by issuer, involving payment of dividends.
 - (d) Evidence exists that the issuer is undergoing mandatory restructuring or bankruptcy.

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

Further, if the SBS considers that an additional provision shall be recorded for any type of investment, such a provision will be determined based on each individual security and shall be recorded in profit or loss for the year in which SBS sets the requirement to make such a provision.

Recognizing differences on exchange -

Exchange gains or losses derived from the amortized cost of debt instruments are stated in profit or loss and those arising from the difference between the amortized cost and the fair value are stated within unrealized gains or losses in equity.

For equity instruments, they are considered non-monetary items, and therefore, they are stated at their historical cost in local currency because exchange gains or losses are part of their valuation and are recognized in unrealized gains or losses in equity.

Notes to the consolidated financial statements (continued)

Changes in classification -

In the event of changes in classification from available-for-sale investments to held-to-maturity investments, the carrying amount of fair value of the investment instrument at the date of exchange will be considered the new amortized cost. Any previously recognized profit or loss on that instrument that was previously directly stated in equity will be carried to profit or loss for the period over the remaining life of the held-to-maturity investment using the effective interest method. Any difference arising between the new amortized cost and the amount at maturity date will be also amortized over the remaining life of the investment instrument using the effective interest method, same way as the amortization of a premium or a discount. If the investment instrument is subsequently impaired, any resulting gains or losses that had been directly recognized in equity shall be transferred and stated in profit or loss for the period. During 2023 and 2022, the BBVA Peru Group did not perform any reclassifications.

(d) Investments accounted for under the equity method -

An associate is an entity over which the investor has significant influence. Significant influence refers to the power to govern the financial and operating policies of the entity receiving the investment, but without having control or jointly control.

The considerations to be taken into account to determine the existence of significant influence or joint control are similar to those necessary to determine the existence of control over subsidiaries.

The Bank and its Subsidiaries record its investment in associates under the equity method. At inception, these investments are stated at fair value, including the costs attributable directly to the acquisition; subsequently, they are measured under the equity method.

The excess between the consideration paid and the fair value of the identifiable assets acquired, and the liabilities assumed on the acquisition date is recognized as goodwill. This goodwill is included in the carrying amount of the investment, and is assessed for impairment as part of the investment (note 3(j)). In the event the fair value of the investment exceeds the consideration paid, this amount is recognized as profit in the consolidated statement of income.

BBVA Peru Group determined that the fair value of investments equals the carrying amount of the investee at the acquisition date, since they do not have significant non-monetary assets, or they have non-monetary assets recorded at their updated appraisal value.

When management identifies that one or more investments in subsidiaries and associates are impaired, such impairment shall reflect the difference between the carrying amount and the recoverable amount of the investment, in accordance with IAS 36 "Impairment of Assets". The carrying amount of the investment shall be reduced to its recoverable amount. Impairment loss shall be immediately recognized in the consolidated statement of income.

Notes to the consolidated financial statements (continued)

In the event the Bank loses significant influence over an associate, the Bank and its subsidiaries measure and recognize its retained interest at its fair value. Any difference resulting between the carrying amount of the associate at the date significant influence is lost and the fair value of any retained interest in an associate and any proceeds obtained from disposal of a portion of the interest in the associate is recognized in the consolidated statement of comprehensive income.

(e) Loans and provisions for loan losses -

Direct loans are recorded when fund expenditures are made in favor of customers. Indirect loans (contingent) are recorded when the documents supporting such credit facilities are issued. Finance leases are recognized using the effective interest method, and the amount of the installments receivable is recognized as a loan. Related financial income is recorded on an accrual basis in accordance with the lease arrangement terms. Initial direct costs are immediately recognized as expenses.

(i) Types of loans

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

(ii) Accounting situation of loans

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

Current loans:

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

Restructured loans:

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

Refinanced loans:

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

Translation of financial statements originally issued in Spanish - Note 32

Notes to the consolidated financial statements (continued)

Past due loans:

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

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

Type of loans / Product	Days in arrear
Sovereign loans, to multilateral development banks, public entities, securities intermediaries, financial entities, corporations, large companies and medium-sized companies.	15 calendar days after the due date for payment of any of the agreed installments.
Small-business and micro-business loans.	30 calendar days after the due date for payment of any of the agreed installments.
Consumer (revolving and non-revolving) loans and mortgage loans. Finance lease and real state capitalization agreement, regardless of the type of the loan.	Progressive tax After 30 calendar days of not having paid on the agreed date, only the unpaid portion will be considered past due; while after 90 calendar days of default in any of the agreed installments, the entire debt will be considered past due.
Overdrafts in checking accounts, regardless of the amount and type of the loan.	As of the thirty-first (31st) calendar day of granted the overdraft.

Lawsuit loans

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

Notes to the consolidated financial statements (continued)

Rescheduled loans

By means of Official Letter N° 5345 - 2010-SBS, the SBS has cleared that in certain situations, volatility of the debtor's revenue is expected, which can cause a mismatch between the expected cash flows and originally agreed repayment timetables. To the extent those situations or events are temporary in nature and the debtor's feasibility is not compromised, adjusting the originally agreed contractual terms should not reflect diminished payment capacity of the customer, and therefore, those adjustments shall not constitute refinancing.

In the event the volatility of revenue affects the structural viability of a debtor's, or a debtor is incurred in delays in payment, the adjustments made to the contractual terms and conditions will be considered to reflect impaired payment capacity, and therefore, those contractual term adjustments shall constitute refinancing.

Through Official Letter N° 63223-2023-SBS dated November 6, 2023, the SBS specified that there are two types of rescheduling depending on the type of credit evaluation:

1. Reschedule with individual evaluation: In accordance with Official Letter N° 5345-2010-SBS, these cases must be evaluated individually by the companies of the financial system and support their decision by incorporating the risk assessments and the respective documentation in the customer file, which must be available to the SBS.

Official Letter N° 63223-2023-SBS also specifies that the client's acceptance alone without evaluating the degree of impact on the debtor's cash flow, is not considered a sufficient criteria to define a rescheduling as individual.

2. Reschedule with mass (portfolio) evaluation: includes both unilateral rescheduling and with the debtor's agreement, based on a portfolio evaluation, in compliance with the reschedule requirements.

To date, the loan reschedules with balances in the consolidated statement of financial position are:

- (a) Health Emergency due to COVID-19: Official Letters N° 10997-2020-SBS, N° 11150-2020-SBS, N° 11170-2020-SBS, N° 12679-2020-SBS, N° 13195-2020-SBS, N° 13805-2020-SBS, N° 14355-2020-SBS, N° 15944-2020, N° 19109-2020-SBS, N° 13613-2021-SBS, N° 6302-2021-SBS, and N° 08441-2023-SBS.
- (b) Social unrest: Official Letters N° 54961-2022-SBS, N° 03140-2023-SBS, N° 03583-2023-SBS, N° 09702-2023-SBS, N° 11235-2023-SBS and N° 17305-2023-SBS.

Notes to the consolidated financial statements (continued)

- (c) Emergency States issued by the Peruvian government since March 15, 2023 within the framework of Official Letter N° 12174-2023-SBS.
- (d) Rescheduling with individual evaluation, in accordance with Official Letter N° 5345-2010-SBS.

The official letters mentioned in a) and b) are not in force, loans reschedules may occur under Official Letter N° 12174-2023-SBS and Official Letter N° 5345 -2010-SBS which are in force.

(iii) Credit risk ratings

The debtor classification categories for credit risk established by the SBS are the following: Normal, with Potential Problem (CPP, by its Spanish acronym), Substandard, Doubtful and Loss; which are assigned according to the credit behavior of the debtor.

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

(v) Provision for loan losses

The provision for loan losses is measured in accordance with the criteria established in SBS Resolution N° 11356-2008 "Regulations for the Evaluation and Classification of the Debtor and the Requirement of Provisions".

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

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

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Notes to the consolidated financial statements (continued)

The specific provision is that established on direct credits and the equivalent exposure to credit risk of indirect credits of debtors that have been classified in a risk category higher than the normal category.

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

	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)	Collaterals, import letters of credit, and letters of guarantee, and confirmations of letters of credit not included in (a), as well as banker's acceptance.	100
(c)	Letters of guarantee not included in (b).	50
(d)	Undisbursed loans granted and unused credit lines.	-
(e)	Other indirect loans not included in the prior paragraphs.	100

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

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

Credit risk rating	No collateral	Preferred collateral	Preferred easily realizable collateral	Self-liquidating preferred collateral
Normal				
Corporate loans	0.70%	0.70%	0.70%	0.70%
Large-business loans	0.70%	0.70%	0.70%	0.70%
Medium-business loans	1.00%	1.00%	1.00%	1.00%
Small-business loans	1.00%	1.00%	1.00%	1.00%
Micro-business loans	1.00%	1.00%	1.00%	1.00%
Revolving loans	1.00%	1.00%	1.00%	1.00%
Non-revolving loans	1.00%	1.00%	1.00%	1.00%
Mortgage loans	0.70%	0.70%	0.70%	0.70%
With potential problems	5.00%	2.50%	1.25%	1.00%
Substandard	25.00%	12.50%	6.25%	1.00%
Doubtful	60.00%	30.00%	15.00%	1.00%
Loss	100.00%	60.00%	30.00%	1.00%

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Notes to the consolidated financial statements (continued)

As of December 31, 2023 and 2022, the procyclical component for the provision for loan portfolio is deactivated, according to SBS Official Letter N° B-2224-2014.

SBS Resolution N° 3718-2021 modified the Regulation on Borrower Risk Assessment and Credit Rating and Provision Requirements in relation to activation criteria of procyclical provisions. Accordingly, they can be activated as of June 30, 2024. The minimum rates of the procyclical component are the following:

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

For loans with self-liquidating preferred collaterals, the procyclical component shall be 0% for the portion covered by such collaterals. For non-revolving loans supported by payroll or pension deduction agreements, the procyclical component shall be 0.25%.

The SBS exceptionally established a 0% provision rate for credit risk to the part of the loans covered by the guarantee of the Reactiva Peru program and FAE-MYPE program, note 2(f)(iv).

In the case of consumer loans, micro-business, small business and medium-sized businesses accounted for as Rescheduled loans - Health Emergency (COVID-19), the requirement for specific provisions is presented as follows:

Credit risk category / Accounting classification	Conditions	Specific provision according to risk category
Normal	Debtor's rescheduled loans with Normal category.	Requires provision according to CPP category (over the principal)
Normal / CPP	Have not made any complete installment payment including principal in the last six months	Requires provision according to Substandard (over the principal)
Normal / CPP / Substandard	Have not made any complete installment payment including principal in the last twelve months	Requires provision according to Doubtful category (over the principal)

Translation of financial statements originally issued in Spanish - Note 32

Notes to the consolidated financial statements (continued)

Credit risk category / Accounting classification	Conditions	Specific provision according to risk category
Current loans	Rescheduled loans in current accounting situation.	Requires provision according to Substandard category (over accrued interest)
	Rescheduled loans in current accounting situation which have not made any complete installment payment including principal in the last six months	Requires provision according to Loss category (over accrued interest)

Under no circumstances will companies be able to generate profits or generate better results due to the reversal of provisions, and must reallocate them to specific mandatory provisions.

(f) Property, furniture and equipment -

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

	Years
Buildings and premises	33 and 10
Installations and improvements to rental property	until 20
Property, furniture and equipment	10 and 4
Vehicles	5

In-transit units and work in progress items are stated at cost and consist of installations, furniture and equipment remaining to be received or under construction. This includes the cost of acquisition or construction and other direct costs. These items are not depreciated until the relevant assets are received or completed and are already operational.

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

Disbursements for maintenance and repairs are recognized as an expense in the year in which they are incurred. When a component of property, furniture and equipment is sold or withdrawn from use, its accumulated cost and depreciation are eliminated and the gain or loss resulting from the sale is recognized in the consolidated result for the year.

Notes to the consolidated financial statements (continued)

The accounting balance of leased offices which contracts are terminated or rescinded before maturity are recognized as provisions for impairment.

Banks are not permitted to apply the revaluation model. It is only permitted to apply the cost model. Likewise, banks are prohibited from giving as collateral their property, furniture and equipment as collateral, except those acquired in financial leasing operations.

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

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

- For assets received, a provision for 20% of the value on the award or recovery date.
- For fixed assets, a monthly provision, within a maximum period of 42 months, a uniform monthly provision must be made, based on the net value obtained in the twelfth or eighteenth month of its adjudication or recovery, depending on whether the SBS extension is available and until completing 100% of the book value of the asset. On an annual basis, the net book value of real estate is compared with the realizable value determined by an independent appraiser and, in the event that this value is lower, a provision for impairment is established.
- For assets other than fixed assets, a provision for the remaining balance within a period of not more than 12 or 18 months, depending on whether an extension is granted by the SBS.

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

Notes to the consolidated financial statements (continued)

(h) Intangible assets -

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

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

(i) Goodwill -

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

For the purpose of impairment testing, assets are grouped into the smallest identifiable group of assets that generates cash inflows from continuing use and is largely independent of the cash inflows from other assets or groups of assets of cash-generating units. Goodwill is allocated to each of the Group's cash-generating unit that is expected to benefit from the synergies arising from the business combination. A cash-generating unit to which the acquired goodwill has been allocated, is tested for impairment annually, or more frequently, when indicators exist that the unit may be impaired. If the recoverable amount of the cash-generating unit exceeds its carrying amount, an impairment loss is recognized reducing the carrying amount of any goodwill allocated to a cash-generating unit, and then to the other assets of the cash-generating unit, on a prorata basis, proportionally to the carrying amount of each of the assets of the cash-generating unit. Any impairment losses on goodwill is recognized against profit or loss for the year in which it occurs. Impairment losses on goodwill acquired is not reversed in subsequent periods.

(j) Impairment of non-financial assets -

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

Notes to the consolidated financial statements (continued)

(k) Non-current held-for-sale assets -

Non-current held-for-sale assets presented in the consolidated statement of financial position are measured at the lower of carrying amount and fair value less selling costs. Non-current assets are classified as held-for-sale when the asset is available for immediate sale and its sale is highly probable, management must be committed to a plan to sell the asset, and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

(l) Debts and financial obligations -

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

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

A financial liability classifies as held-for trading if:

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

As of December 31, 2023 and 2022, BBVA Peru Group does not have financial liabilities that qualify as held for trading.

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

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

Notes to the consolidated financial statements (continued)

Financial liabilities at fair value through profit or loss are recorded at fair value. Gains and losses from changes in the fair value of these liabilities are recognized in "Profit or loss from financial transactions" in the consolidated statement of income.

As of December 31, 2023 and 2022, BBVA Peru Group does not have financial liabilities at fair value.

(m) Securities and obligations outstanding -

The liabilities arising from the issuance of instruments, securities and other obligations outstanding are accounted for at their nominal value, with interest accrued recognized in profit or loss for the year. Discounts granted and revenue obtained in their placement are deferred and are shown net of their issuance value and they are amortized over the effective period of the related instruments, securities, and obligations outstanding using the effective interest rate method.

(n) Employee benefits -

Holidays and other benefits

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

Severance payment

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

Employees' profit sharing

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

According to the legal regulations on this matter, the subsidiaries shall not to determine employees' profit sharing since the number of employees does not exceed 20.

Long-term benefits

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

Notes to the consolidated financial statements (continued)

(o) Provision, contingent liabilities and contingent assets -

(i) Provisions

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

(ii) Contingent assets and contingent liabilities

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

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

(p) Income tax -

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

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

The Bank recognizes deferred income tax in accordance with the provisions of IAS 12 - Income Tax. The deferred income tax reflects the effects of the temporary differences between the accounting balances of assets and liabilities and those determined for tax purposes.

The deferred tax liabilities is recognized for all taxable temporary differences that arise when comparing the carrying amount of assets and liabilities and their tax base, without considering that the temporary differences estimated at the beginning will be reversed. The deferred tax asset is recognized for all taxable temporary differences that arise when comparing the carrying amount of assets and liabilities and their tax base, to the extent that it is probable that, in the future, BBVA Peru Group will have sufficient income tax against which it can apply the temporary differences that revert.

Deferred tax liability and asset are measured at the income tax rate, which is expected to be applied to tax of the year in which this liability is settled or the asset is realized, using the income tax rate enacted or substantially effective at the consolidated statement of financial position.

Notes to the consolidated financial statements (continued)

As set forth under IAS 12, the Bank determines its deferred income tax based on the tax rate applicable to its undistributed profits, recognizing any additional tax on dividend distribution on the date the liability is recognized.

(q) Revenue and expense recognition -

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

Accrued interest from past due, refinanced, restructured and under legal collection loans, as well as loans rated as "doubtful" or "loss", which is recognized in the consolidated statement of profit or loss when are collected effectively. If it is determined that the financial condition of the debtor has improved to such an extent that the uncertainty about the recoverability of the principal disappears, the accounting of the interest generated by these credits is restored on the basis of the accrued.

In the case of ordinary rescheduled loans, the recognition of interest income is carried out under the accrual method. In the case of credits rescheduled in the context of a health emergency, if they are rescheduled under a massive scheme, the recognition of income is carried out under the cash basis, and if it is under an individual analysis scheme, the recognition of income is under the accrual principle.

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

(r) Basic and diluted earnings per share -

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

(s) Repurchase agreements -

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

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

Notes to the consolidated financial statements (continued)

Loan portfolio reporting operations guaranteed by the Government represented in securities.

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

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

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

By means of Emergency Decree N° 011-2022, the Government has established the possibility that loans under the Reactiva Peru program can be eligible for a new rescheduling (or first rescheduling for those who did not obtain one previously) for up to a total of S/10 thousand million.

It should be noted that in the event rescheduling is decided, the repo transaction with the BCRP will not continue but financing for those (rescheduled) loans will be completed with the Bank's resources.

The Peruvian government guarantee will continue to be effective up until the new due date for the rescheduled loan and will also continue to be effective the same percentage of guarantee coverage.

As of December 31, 2023 and 2022, the Bank carries out securities repurchase agreements, loan portfolio guaranteed by the Peruvian Government, both represented by securities and loans (notes 6, 7 and 14).

- (t) Consolidated statement of other comprehensive income and consolidated statement of changes in equity

The consolidated statement of other comprehensive income includes unrealized profit or loss of the measurement of available for sale investment, modifications of the hypothesis related with actuarial liabilities and measurement of cash flow hedges. Deferred tax related with these items are detailed in the corresponding note (note 3(p)).

Notes to the consolidated financial statements (continued)

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

(u) Cash and cash equivalents -

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

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

(v) Trust activities -

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

(w) Intermediation activities -

Intermediation activities on behalf of third parties correspond to purchase-sale operations carried out in the stock market and over-the-counter market under specific instructions given by customers to Sociedad Agente de Bolsa. In this type of operations, the customers transfer funds to Sociedad Agente de Bolsa, so that it can settle the operations according to the instructions of the customers. These funds are recorded as assets and liabilities in the consolidated statement of financial position.

(x) Foreign currency transactions -

At initial recognition, foreign currency transactions are recorded by translating to the functional currency by applying the exchange rate on the transaction date.

The exchange difference that arises when converting monetary assets and liabilities in foreign currency at the current exchange rates at the date of the consolidated statement of financial position are recognized in the profit or loss as "Foreign exchange differences" in the caption of "Profit or loss from financial transactions".

Notes to the consolidated financial statements (continued)

4. Foreign currency balances

The consolidated statement of financial position includes balances of foreign currency transactions, mainly in U.S. dollars (US\$), which are recorded in soles (S/) at the exchange rate established by the SBS. As of December 31, 2023 and 2022, the exchange rate is US\$ 1 per S/ 3.709 and US\$ 1 per S/3.814, respectively.

Foreign currency transactions in Peru referred to the concepts authorized by the BCRP are channeled through a free banking system. As of December 31, 2023, buy and sell exchange rates used were US\$1 per S/3.705 and US\$ 1 per S/3.713, respectively (buying rate of US\$ 1 per S/3.808 and buying rate of US\$ 1 per S/3.820, as of December 31, 2022).

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Notes to the consolidated financial statements (continued)

As of December 31, 2023 and 2022, foreign currency balances stated in thousands of U.S. dollars are as follows:

	2023			2022		
	US Dollars US\$(000)	Other currencies US\$(000)	Total US\$(000)	US Dollars US\$(000)	Other currencies US\$(000)	Total US\$(000)
Assets						
Cash and due from banks	1,442,283	115,174	1,557,457	2,306,918	109,203	2,416,121
Investments at fair value through profit or loss and available-for-sale investments	1,707,942	-	1,707,942	1,028,692	-	1,028,692
Loan portfolio, net	5,232,933	-	5,232,933	4,650,731	-	4,650,731
Other assets, net	484,706	3,602	488,308	171,138	16,795	187,933
	<u>8,867,864</u>	<u>118,776</u>	<u>8,986,640</u>	<u>8,157,479</u>	<u>125,998</u>	<u>8,283,477</u>
Liabilities						
Obligations with the public and deposits from financial institutions	7,087,149	62,864	7,150,013	7,070,250	60,597	7,130,847
Interbank funds	40,018	-	40,018	-	-	-
Debts and financial obligations	1,211,022	-	1,211,022	672,314	-	672,314
Accounts payable, provisions and other liabilities	567,307	7,303	574,610	301,430	23,821	325,251
	<u>8,905,496</u>	<u>70,167</u>	<u>8,975,663</u>	<u>8,043,994</u>	<u>84,418</u>	<u>8,128,412</u>
Short position (liabilities)	(37,632)	48,609	10,977	113,485	41,580	155,065
Derivative instruments, assets	6,166,648	500,777	6,667,425	4,890,362	147,751	5,038,113
Derivative instruments, liabilities	6,073,313	555,208	6,628,521	4,986,132	191,082	5,177,214
Long position (assets)	<u>55,703</u>	<u>(5,822)</u>	<u>49,881</u>	<u>17,715</u>	<u>(1,751)</u>	<u>15,964</u>

In 2023 and 2022, BBVA Peru Group recorded net exchange gains for S/707 million and S/ 935 million, respectively, which corresponds to the valuation of exchange rate, as well as purchase and sales transactions in foreign currency in 'profit or loss from financial transactions' of the consolidated statement of income (note 20).

The percentage change in the exchange rate of the Sol in relation to the US dollar is -2.75% and -4.34% for the years 2023 and 2022, respectively.

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Notes to the consolidated financial statements (continued)

5. Cash and due from banks

This caption comprises the following:

	2023 S/(000)	2022 S/(000)
Banks and other foreign financial entities (c)	4,240,686	3,627,707
Cash (a)	2,956,853	2,725,393
Central Reserve Bank of Peru (a)	1,220,422	4,970,231
Other guarantee funds (b)	849,483	699,639
Banks and other local financial entities (c)	106,507	75,303
Clearing	57,006	46,657
Other cash and due from banks	652	73
	<u>9,431,609</u>	<u>12,145,003</u>

- (a) Cash balances held by the Bank as well as those held with the Central Reserve Bank of Peru (BCRP) are intended to cover the legal reserve requirement that the Bank must keep for the deposits and obligations with the public, according to the current provisions. These cash balances are in the Bank's vaults or deposited in the BCRP.

As of December 31, 2023 and 2022 this item shows the following accounting balances:

	2023 S/(000)	2022 S/(000)
Legal reserve		
Cash in vault	2,956,853	2,725,393
Deposits with BCRP	<u>415,186</u>	<u>3,065,635</u>
Subtotal legal reserve	<u>3,372,039</u>	<u>5,791,028</u>
Non-mandatory legal reserve		
Time deposits with BCRP	779,915	1,884,659
Interest on checking account	<u>25,321</u>	<u>19,937</u>
Subtotal non-mandatory legal reserve	<u>805,236</u>	<u>1,904,596</u>
Total	<u>4,177,275</u>	<u>7,695,624</u>

As of December 31, 2023 and 2022, the balances are subject to an implicit rate of 6% in local currency and 35.% in foreign currency for both period, over total obligations subject to legal reserve ("TOSE", by its Spanish acronym), as required by the BCRP.

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Notes to the consolidated financial statements (continued)

The legal reserve funds which represent the minimum mandatory do not bear interest. The legal reserve funds comprising the additional legal reserve in foreign currency and in local currency bear interest at a nominal rate set by the BCRP. During the years 2023 and 2022, a portion of the additional legal reserve funds in U.S. dollars are hedged with a cash flow hedge (Note 8(ii)).

As of December 31, 2023, balances held with the BCRP include overnight deposits of S/780 million (S/1,885 million of overnight deposits as of December 31, 2022).

- (b) As of December 31, 2023 and 2022 cash includes guarantee funds that secure transactions with derivatives as requested by the Bank counterparties for a total US\$25 million and US\$79 million, respectively. Also, as of December 31, 2023, this balance includes S/646 million and US\$28 million to secure the transfer process in line with a requirement of BCRP (S/330 million and US\$16 million, as of December 31, 2022).
- (c) As of December 31, 2023 and 2022 deposits held with local and foreign banks are mainly in Peruvian soles and in U.S dollars but also other currencies for smaller amounts; are unrestricted and bear interest at market rates.

As of December 31, 2023, they include balances mainly with the following financial institutions: JP Morgan Chase Bank of S/1,396 million, Citibank N.A. New York of S/955 million, Bank of New York of S/773 million, BBVA Paris of S/340 million, Brown Brother Harriman of S/256 million, Standard Chartered Bank of S/225 million and Wells Fargo Bank S/207 million (as of December 31, 2022, balances were held mainly with JP Morgan Chase Bank of S/1,355 million, Bank of New York of S/771 million, Citibank N.A. New York of S/ 675 million, Standard Chartered Bank S/410 million and BBVA Paris of S/384 million).

During the course of 2023 and 2022, interest income on cash totaled S/457 million and S/175 million, respectively, and is shown within interest income in the consolidated statement of income (note 17).

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Note 32

Notes to the consolidated financial statements (continued)

6. Investments at fair value through profit or loss and available-for-sale

As of December 31, this caption comprises the following:

	2023				2022			
	Unrealized results			Estimated fair value S/(000)	Unrealized results			Estimated fair value S/(000)
	Amortized cost S/(000)	Gains S/(000)	Losses S/(000)		Amortized cost S/(000)	Gains S/(000)	Losses S/(000)	
Investments at fair value through profit or loss:								
Certificates of deposit with BCRP (a)				2,837,641				2,691,234
Peruvian Public Treasury bonds (b)				1,549,360				587,625
U.S. Treasury bills (c)				391				-
Subtotal				<u>4,387,392</u>				<u>3,278,859</u>
Available-for-sale investments (g)								
Debt instruments:								
Peruvian Public Treasury bonds (b)	3,954,338	123,934	-	4,078,272	3,049,769	-	(67,628)	2,982,141
U.S. Treasury bills (c)	6,125,090	-	(6,546)	6,118,544	3,659,533	-	(11,777)	3,647,756
Certificates of deposit with BCRP (a)	539,889	505	-	540,394	1,583,830	-	(1,135)	1,582,695
Corporate bonds (d)	-	-	-	-	68,689	-	(177)	68,512
	<u>10,619,317</u>	<u>124,439</u>	<u>(6,546)</u>	<u>10,737,210</u>	<u>8,361,821</u>	<u>-</u>	<u>(80,717)</u>	<u>8,281,104</u>
-								
Shares:								
Shares of local and foreign companies (e) and (f)	26,024	-	(2,031)	23,993	31,760	-	-	31,760
	<u>26,024</u>	<u>-</u>	<u>(2,031)</u>	<u>23,993</u>	<u>31,760</u>	<u>-</u>	<u>-</u>	<u>31,760</u>
Subtotal	<u>10,645,341</u>	<u>124,439</u>	<u>(8,577)</u>	<u>10,761,203</u>	<u>8,393,581</u>	<u>-</u>	<u>(80,717)</u>	<u>8,312,864</u>
Total				<u>15,148,595</u>				<u>11,591,723</u>

- (a) As of December 31, 2023, the certificates of deposit issued by the BCRP consist of negotiable instruments obtained in public auctions held by the BCRP or traded in the secondary market with maturities up until December 2024 (September 2023, as of December 31, 2022). As of December 31, 2023 the balance includes certificates of deposit of S/305 million that secure repo transactions (S/ 204 million as of December 31, 2022).

As of December 31, 2023, annual return in local currency on these instruments ranged from 6.41% to 6.86% (from 7.00% to 8.06% in local currency as of December 31, 2022).

- (b) Peruvian Public Treasury Bonds include sovereign bonds of the Republic of Peru in local currency and global bonds in foreign currency issued by the Ministry of Economy and Finance of Peru (MEF), which represent public internal debt securities of the Republic of Peru.

As of December 31, 2023, these bonds bore interest at an annual interest rates ranging from 5.35% and 8.20% in local currency (from 5.20% and 8.20% as of December 31, 2022) and 7.35% in foreign currency in both periods. As of December 31, 2023 and 2022, local currency bonds have maturities up until February 2055 and February 2042, respectively, and foreign currency bonds up until July 2025, in both periods.

As of December 31, 2023 and 2022, a portion of the balance of global bonds Peru of US\$30 million are hedged with a cash flow hedge (note 8(ii)).

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Notes to the consolidated financial statements (continued)

- (c) As of December 31, 2023, the U.S. Treasury Bills bear interest ranging from 3% y 5.29% in foreign currency (ranging from 0.75% and 4.42% as of December 31, 2022) and with maturities up until November 2033 (July 2024 as of December 31, 2022). As of December 31, 2023 and 2022, a portion of the U.S. Treasury Bills are used as collateral for S/23 million and S/57 million, respectively.
- (d) As of December 31, 2022 this balance included corporate bonds issued by financial institutions in Peru in foreign currency and bear interest ranging from 3.50% and 4.25%.
- (e) As of December 31, 2023 the amounts include a provision for impairment for S/4 million over the investments held on Pagos Digitales Peruanos (S/12 million on the Lima Stock Exchange and S/4 million on Pagos Digitales Peruanos, as of December 31, 2022).
- (f) It includes shares of Holding Bursatil Chilena S.A., established as a result of the integration process of the stock exchanges of Chile, Peru and Colombia. This stock exchanges integration process involved the exchange of shares held by the Bank and its subsidiary BBVA Bolsa Sociedad Agente de Bolsa S.A., on the Lima Stock Exchange for S/25 million and S/10 million, respectively; by those of Holding Bursatil Chilena S.A. with balance as of December 31, 2023 amounts to S/17 million and S/6 million, respectively.
- (g) As of December 31, 2023, unrealized gains on the valuation of available-for-sale investments, net of the related deferred income tax amounts to S/114 million (unrealized losses of S/ 79 million as of December 31, 2022), note 15(c).

During the course of 2023 and 2022, the interest accrued of the Bank's investment portfolio amounts to S/590 million and S/441 million, respectively (note 17).

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Notes to the consolidated financial statements (continued)

7. Loan portfolio, net

As of December 31, this caption comprises the following:

	2023 S/(000)	2022 S/(000)
Direct loans:		
Loans (c)	26,845,471	27,672,810
Mortgage loans (d)	14,768,114	13,959,809
Consumer loans	11,868,127	9,798,074
Foreign trade	5,797,177	6,010,104
Finance lease	3,259,775	3,180,799
Factoring	1,707,092	1,585,012
Project financing	1,109,191	1,372,565
Discounts	1,102,234	1,229,437
Others	3,049,856	3,499,414
	<u>69,507,037</u>	<u>68,308,024</u>
Loans past due and loans under legal collection	3,536,302	3,207,132
Refinanced loans	<u>1,856,072</u>	<u>1,672,801</u>
	<u>74,899,411</u>	<u>73,187,957</u>
Plus (less):		
Accrued interest on performing loans	746,092	683,399
Deferred interest	(99,710)	(86,431)
Provisions for direct loan losses	<u>(4,898,555)</u>	<u>(4,662,538)</u>
	<u>70,647,238</u>	<u>69,122,387</u>
Contingent or indirect loans, note 16	<u>18,441,493</u>	<u>17,913,038</u>

- (a) As of December 31, 2023 and 2022, 51.00% of the direct loan portfolio is concentrated in 4,919 customers which amounts to S/38,505 million and 4,718 customers which amounts to S/37,653 million, respectively.
- (b) Direct loan portfolio with guarantees received from customers, which comprise mortgages, deposits, letters of guarantees, collaterals and warrants, amounts to S/49,237 million as of December 31, 2023 (S/44,992 million as of December 31, 2022).

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Notes to the consolidated financial statements (continued)

- (c) As of December 31, 2023 and 2022, part of the loan portfolio belongs to the Reactiva Peru program (note 2(f)(iii)) with a balance for S/1,900 million (S/5,801 million as of December 31, 2022). The detail of such loans are detailed as follows:

	2023 S/(000)	2022 S/(000)
Types of loans		
Medium-business loans	1,247,444	3,838,459
Small-business loans	343,745	838,921
Large-business loans	301,258	1,109,798
Micro-business loans	5,213	7,554
Corporate loans	2,396	6,152
Total of Reactiva Peru program loans	<u>1,900,056</u>	<u>5,800,884</u>

As of December 31, 2023, the Bank holds repo transactions involving the loan portfolio with the BCRP (note 14(a)) for S/1,579 million (S/5,408 million as of December 31, 2022) that relate to the Reactiva Peru program.

As of December 31, 2023, the balances of the loans and payables on repo transactions involving loan portfolio with the BCRP (note 14(a)) totaled S/5,019 million and S/4,898 million, respectively (as of December 31, 2022, these balances totaled S/5,793 million and S/4,901 million, respectively).

As of December 31, 2023, loans that under the Crecer program totaled S/118 million (S/133 million as of December 31, 2022), note 2(f)(iv).

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Notes to the consolidated financial statements (continued)

As of December 31, 2023 and 2022, the rescheduled loans totaled S/3,620 million and S/4,516 million, respectively. Includes rescheduled loans in accordance with Official Letter N°5345-2010-SBS, due to the public health emergency, Reactiva Peru program, social unrest and climate effects, in accordance with the provisions of the SBS. Balances by the type of loan are broken down as follows:

	2023 S/(000)	2022 S/(000)
Types of loans		
Medium-sized entity loans	1,716,668	2,833,401
Large-business loans	696,134	864,347
Small-business loans	525,830	552,790
Consumer loans	415,303	35,078
Mortgage loans	252,887	216,575
Micro-business loans	5,647	4,045
Public sector	5,166	-
Corporate loans	2,396	10,134
Total rescheduled loans	3,620,031	4,516,370

- (d) As of December 31, 2023, a portion of the balance of the mortgage loan portfolio is securing a debt with Fondo MIVIVIENDA - Programa MIHOGAR for up to S/926 million (S/664 million as of December 31, 2022), note 13 (c).
- (e) As of December 31, 2023 and 2022, the balances of the direct loan portfolio segmented by type of customer, in accordance with the provisions of SBS Resolution N° 11356-2008, is as follows:

	2023 S/(000)	2022 S/(000)
Mortgage	15,379,908	14,613,415
Medium-sized entities	15,319,759	17,614,995
Corporate	13,135,920	11,963,605
Large entities	12,524,795	12,737,814
Consumer	12,385,722	10,153,888
Small entities	3,969,382	3,785,178
Financial system entities	1,033,572	808,890
Public sector entities	503,254	862,688
Security brokerage	466,486	486,041
Micro businesses	180,613	161,443
Total loans	74,899,411	73,187,957

Notes to the consolidated financial statements (continued)

- (f) During 2023 and 2022, the interest earned on the loan portfolio were mutually agreed based on the prevailing market rates.

In March 2021, the Peruvian Congress enacted Law No31143 that establishes that the BCRP is charged with setting the maximum and minimum interest rates for financial institutions. In April 2021, BCRP set the methodology for the calculation of the maximum interest rate on consumer loans, and loans to microbusinesses and small entities, which is to be updated semiannually in May and November. As of December 31, 2023, the maximum annual interest rate is 101.86% in local currency (87.91% as of December 31, 2022) and 82.94% in foreign currency (68.27% as of December 31, 2022).

Notes to the consolidated financial statements (continued)

As of December 31, 2023 and 2022, in accordance with current SBS regulations, the BBVA Peru Group's loan portfolio is classified by risk as follows:

	2023						2022					
	Direct S/(000)	%	Contingent S/(000)	%	Total S/(000)	%	Direct S/(000)	%	Contingent S/(000)	%	Total S/(000)	%
Risk category												
Normal	66,439,876	89	16,711,692	91	83,151,568	89	65,824,886	90	16,223,261	90	82,048,147	90
With potential problems	2,552,171	3	1,150,292	6	3,702,463	4	2,382,750	3	1,202,558	7	3,585,308	4
Substandard	1,403,383	2	264,754	1	1,668,137	2	1,117,219	2	236,992	1	1,354,211	1
Doubtful	1,756,633	2	136,493	1	1,893,126	2	1,263,460	2	124,124	1	1,387,584	2
Loss	2,647,638	4	178,262	1	2,825,900	3	2,513,211	3	126,103	1	2,639,314	3
	74,799,701	100	18,441,493	100	93,241,194	100	73,101,526	100	17,913,038	100	91,014,564	100
Deferred interest	99,710		-		99,710		86,431		-		86,431	
Total	74,899,411		18,441,493		93,340,904		73,187,957		17,913,038		91,100,995	

(*) For the purpose of recording provisions, pursuant to Resolution SBS N° 3922-2021, rescheduled loans due to COVID-19 that were rated as “Normal” will be given a classification of “CPP”; for loans that were rated as “Normal” and “CPP” given by the Bank, for which one full installment has not been paid, including the principal over the last 6 months, will be given a classification of “Substandard”; and for those rescheduled loans rated as normal, CPP and substandard, for which one full installment has not been paid, including the principal over the last 12 months, they will be considered as “Doubtful”. As of December 31, 2023 and 2022, the balance of these provisions for rescheduled loans is S/ 3 million and S/ 7 million, respectively.

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Notes to the consolidated financial statements (continued)

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

	2023 S/(000)	2022 S/(000)
Balance at the beginning of the year	(4,662,538)	(4,658,162)
Additions debited to profit or loss	(3,635,074)	(2,382,251)
Recovery of provisions	1,644,837	1,371,455
Sale of loan portfolio	878,499	430,517
Write-off	780,134	448,669
Waiver	77,385	55,703
Exchange difference, net	18,202	71,531
Closing balance	(4,898,555)	(4,662,538)

Below is the composition of the provisions for direct loan losses, net, presented in the consolidated statement of income:

	2023 S/(000)	2022 S/(000)
Provisions for loan losses	(3,635,074)	(2,382,251)
Recovery of provisions for loan losses	1,644,837	1,371,455
Recovery of provisions for country risk	4,666	12,643
Income from recovery of loan portfolio	22,088	13,541
Provision for loan losses, net of recoveries	(1,963,483)	(984,612)

The balance of the provisions for direct loan losses involving direct loans is broken down as follows:

	2023 S/(000)	2022 S/(000)
Specific	(3,487,433)	(3,021,965)
Specific - COVID-19	(2,698)	(8,646)
Generic	(763,517)	(735,777)
Voluntary	(644,465)	(895,657)
Provision for country risk	(442)	(493)
Closing balance	(4,898,555)	(4,662,538)

The provisions for indirect loan losses is shown within "Payables, provisions, and other liabilities" in the consolidated statement of financial position (note 14).

Notes to the consolidated financial statements (continued)

BBVA Peru Group, in compliance with current standards and regulations, has identified those customers that are exposed to the credit risk and currency risk and no additional provision has been deemed necessary to be made.

Management of BBVA Peru Group considers that the provision for loans losses recorded as of December 31, 2023 and 2022 has been made in accordance with the SBS standards effective at those dates.

Notes to the consolidated financial statements (continued)

8. Trading and hedging derivatives

As of December 31, 2023 and 2022, the Bank holds foreign-exchange forward contracts, cross-currency swaps (CCS), interest rate swaps (IRS) and options. As of December 31, 2023 and 2022, changes in the fair value of these derivatives are presented as accounts receivable (assets) or accounts payable (liabilities), as appropriate:

			2023		
	Underlying	Maturity date	Nominal S/(000)	Assets S/(000)	Liabilities S/(000)
Trading derivatives					
Currency forwards		Between 2024 and 2029	27,351,685	424,120	322,995
Currency swaps		Between 2024 and 2042	18,674,946	418,360	444,617
Interest rate swaps		Between 2024 and 2050	14,430,450	397,838	294,226
Options of shares, changes and others		Between 2024 and 2026	2,018,215	15,134	15,134
Provision for country risk		-	-	(17,956)	-
			<u>62,475,296</u>	<u>1,237,496</u>	<u>1,076,972</u>
Hedging derivatives (note 5, 6, 12 and 13)					
At fair value (i)					
Interest rate swaps	Bonds issue	2024	1,112,700	-	42,318
Cash flows (ii)					
Interest rate swaps	Legal reserve	Between 2024 and 2026	4,450,800	-	17,678
Currency swaps	Borrowing	2027	222,540	-	22,601
Currency swaps	Global Peru bonds	2025	111,270	-	10,294
Currency forwards	Time deposits	2024	18,083	-	595
			<u>5,915,393</u>	<u>-</u>	<u>93,486</u>
			<u>68,390,690</u>	<u>1,237,496</u>	<u>1,170,458</u>

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Notes to the consolidated financial statements (continued)

			2022		
	Underlying	Maturity date	Nominal S/(000)	Assets S/(000)	Liabilities S/(000)
Trading derivatives					
Currency forwards		Between 2023 and 2029	21,636,906	330,171	112,740
Interest rate swaps		Between 2023 and 2050	17,944,373	532,972	384,954
Currency swaps		Between 2023 and 2042	16,645,992	482,709	736,333
Options of shares, changes and others		Between 2023 and 2026	871,648	11,816	11,816
Provision for country risk		-	-	(8,049)	-
			<u>57,098,919</u>	<u>1,349,619</u>	<u>1,245,843</u>
Hedging derivatives (note 5, 6 and 13)					
At fair value (i)					
Interest rate swaps	Bonds issue	2024	1,144,200	-	67,398
Interest rate swaps	Borrowing	2026	762,800	2,974	-
Cash flows (ii)					
Interest rate swaps	Legal reserve	Between 2024 and 2025	3,051,200	685	2,750
Currency swaps	Borrowing	2027	228,840	-	15,125
Currency swaps	Global Peru bonds	2025	114,420	-	15,274
Currency forwards	Time deposits	2023	90,814	-	3,081
			<u>5,392,274</u>	<u>3,659</u>	<u>103,628</u>
			<u>62,491,193</u>	<u>1,353,278</u>	<u>1,349,471</u>

(i) Fair value - hedging derivatives

Interest rate swap (IRS)

As of December 31, 2023, BBVA Peru Group holds interest rate swaps contracts at face value for S/1,113 million to hedge bonds issue (S/1,907 million to hedge borrowings and bonds issue as of December 31, 2022). Through IRS, the BBVA Peru Group receives a fixed interest rate in U.S. dollars and pays a variable interest rate in that same currency. In 2023, changes in the fair value of the IRS amounts to a gain of S/31 million and is presented in "Profit or loss from financial transactions" of the consolidated statement of income (S/92 million loss in 2022).

Notes to the consolidated financial statements (continued)

The table below shows the detail of hedged items and their hedging instruments as of December 31, 2023 and 2022:

Hedged item	Hedging instrument	Face value of the hedging instrument		Fair value of the hedging instrument	
		2023 S/(000)	2022 S/(000)	2023 S/(000)	2022 S/(000)
Fair value hedge					
	Interest rate swap (IRS)				
First international issuance of subordinated bonds for US\$ 300 million	The Bank receives fixed interest rate and pays variable interest rate.	1,112,700	1,144,200	(42,318)	(67,398)
	Interest rate swap (IRS)				
BBVA borrowing for US\$ 200 million	The Bank receives fixed interest rate and pays variable interest rate.	-	762,800	-	2,974
Total fair value hedge		1,112,700	1,907,000	(42,318)	(64,424)

(ii) Cash flow - hedging derivatives

Currency forward contracts

As of December 31, 2023, the Bank has foreign exchange forward contracts with a face value of S/18 million to hedge time deposits of US\$5 million (S/91 million for hedging the time deposits for US\$ 24 million as of December 31 2022). By means of this foreign exchange forward contract, the Bank receives future cash flows in U.S. dollars and pays future cash flows in soles.

During 2023, the fair value of the forward contracts amounts to S/0.2 million of loss, recorded in equity accounts net of its deferred income tax (gain of S/2 million net of its deferred income tax of during 2022).

Currency swap

As of December 31, 2023 and 2022, the Bank holds currency swaps with a face value of S/334 million and S/343 million, respectively, to hedge bonds accounted for as available-for-sale investments (US\$30 million of a Global Bond) and a borrowing (US\$60 million). By means of the CCS on Global Bonds, the Bank receives a fixed interest rate in soles and pays a fixed interest rate in U.S. dollars; while by means of the CCS on borrowings, the Bank receives a fixed interest rate in U.S. dollars and pays a fixed interest rate in soles.

During 2023, the fair value of the CCS amounts to S/9 million of loss, recorded in equity accounts net of its deferred income tax (loss of S/22 million net of deferred income tax of during 2022).

Notes to the consolidated financial statements (continued)

Interest rate swap - IRS

As of December 31, 2023 and 2022, the Bank has an interest rate swap (IRS) contract with face value of S/4,451 million and S/3,051 million, respectively, to hedge legal reserve funds in U.S. dollars in BCRP. The Bank receives a fixed interest rate in U.S. dollars and pays a floating interest rate in the same currency.

During 2023, the fair value of IRS amounts to S/ 10 million of loss, recorded in equity accounts net of deferred income tax (loss of S/ 1 million net of deferred income tax during 2022).

The table below shows the detail of hedged elements and their hedging instruments as of December 31, 2023 and 2022:

Hedge element		Hedging instrument	Face value of the hedging instrument		Fair value of the hedging instrument	
			2023 S/(000)	2022 S/(000)	2023 S/(000)	2022 S/(000)
Cash flows hedges						
	<i>Interest rate swap (IRS)</i>					
Additional legal reserve funds for US\$1,200 million	The Bank receives a fixed interest rate in U.S. dollars and pays a floating interest rate in the same currency.	4,450,800	-	(17,678)	-	
	<i>Cross currency swap (CCS)</i>					
Borrowing with IFC (Institute Finance Corporation) for US\$60 million	The Bank receives a fixed interest rate in soles and pays a fixed interest rate in U.S. dollars.	222,540	228,840	(22,601)	(15,125)	
	<i>Cross currency swap (CCS)</i>					
Global bonds for US\$30 million	The Bank receives a fixed interest rate in soles and pays a fixed interest rate in U.S. dollars.	111,270	114,420	(10,294)	(15,274)	
	<i>Currency forward</i>					
Time deposits for US\$5 million	The Bank receives future cash flows in U.S. dollars and pays future cash flows in soles.	18,083	-	(594)	-	
	<i>Interest rate swap (IRS)</i>					
Additional legal reserve funds for US\$800 million	The Bank receives fixed interest rate in U.S. dollars and pays a floating interest rate in the same currency.	-	3,051,200	-	(2,065)	
	<i>Foreign exchange forward</i>					
Time deposits for US\$24 million	The Bank receives future cash flows in U.S. dollars and pays future cash flows in soles.	-	90,814	-	(3,081)	
Total cash flows hedges		4,802,693	3,485,274	(51,167)	(35,545)	

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9. Interests in associates

This caption comprises the following:

	2023 S/(000)	2022 S/(000)
TFP S.A.C. (a)	5,215	4,798
Compañía Peruana de Medios de Pagos S.A.C. (b)	519	7,350
	<u>5,734</u>	<u>12,148</u>

- (a) As of December 31, 2023 and 2022, BBVA Peru Group, through the Bank, maintains share of 24.30% in the share capital of TFP S.A.C., for both periods.
- (b) As of December 31, 2023 and 2022, the BBVA Peru Group, through the Bank holds share of 20.20% and 21.15% in the share capital of Compañía Peruana de Medios de Pago S.A.C. (Niubiz), respectively.

During 2023, the Bank recognized net loss on investments in associates for S/5 million (net gains of S/8 million in 2022), (note 20.)

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Notes to the consolidated financial statements (continued)

10. Property, furniture and equipment, net

Below is the movement of the item as of December 31, 2023 and 2022:

	Land S/(000)	Buildings and premises S/(000)	Furniture and equipment S/(000)	Vehicles S/(000)	Installations and improvements to rental property S/(000)	Work-in progress S/(000)	Goods in transit and replacement parts S/(000)	Total S/(000)
Cost								
Balance as of January 1, 2022	118,224	925,717	853,488	7,722	354,087	207,236	255	2,466,729
Additions	-	13,821	69,618	1,823	8,547	50,369	-	144,178
Disposals and other	-	(293)	(15,174)	-	(8)	-	-	(15,475)
Transfers	-	154,816	13,019	-	38,592	(206,427)	-	-
As of December 31, 2022	118,224	1,094,061	920,951	9,545	401,218	51,178	255	2,595,432
Additions	-	25,296	114,641	-	15,852	99,702	-	255,491
Disposals and other	(6,277)	(8,964)	(40,674)	(1,174)	(35)	-	-	(57,124)
Transfers	-	29,628	10,904	-	9,949	(50,481)	-	-
As of December 31, 2023	111,947	1,140,021	1,005,822	8,371	426,984	100,399	255	2,793,799
Accumulated depreciation								
Balance as of January 1, 2022	-	609,591	566,426	7,343	211,890	-	-	1,395,250
Additions	-	32,243	75,204	404	11,911	-	-	119,762
Impairment	-	-	-	-	17,926	-	-	17,926
Disposals and other	-	(293)	(14,939)	-	-	-	-	(15,232)
Transfers	-	(4)	-	-	4	-	-	-
As of December 31, 2022	-	641,537	626,691	7,747	241,731	-	-	1,517,706
Additions	-	35,384	79,949	460	14,466	-	-	130,259
Impairment	-	-	-	-	-	-	-	-
Disposals and other	-	(6,192)	(39,720)	(1,174)	(19)	-	-	(47,105)
Transfers	-	1	-	-	(1)	-	-	-
As of December 31, 2023	-	670,730	666,920	7,033	256,177	-	-	1,600,860
Net carrying amount								
As of December 31, 2023	111,947	469,291	338,902	1,338	170,807	100,399	255	1,192,939
As of December 31, 2022	118,224	452,524	294,260	1,798	159,487	51,178	255	1,077,726

- (a) According to current regulations, the Bank in Peru cannot pledge as collateral the assets that are part of their property, furniture and equipment, except for those acquired through the issuance of lease bonds to carry out finance leases.
- (b) Management performs a periodic review the method of depreciation used to ensure it is consistent with the economic benefit assessed for the fixed assets. BBVA Peru Group Management considers that there is no indicator of impairment of the Bank's fixed assets as of December 31, 2023 and 2022, additional to the registered.

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Notes to the consolidated financial statements (continued)

11. Other assets, net

As of December 31, this caption comprises the following:

	2023 S/(000)	2022 S/(000)
Financial instruments -		
Transactions in progress (a)	4,314,888	973,083
Others	4,847	3,679
	<u>4,319,735</u>	<u>976,762</u>
Other assets, note 28		
Other accounts receivable	125,031	39,601
Accounts receivable for sale of assets, services and trust	5,037	6,194
	<u>130,068</u>	<u>45,795</u>
Receivables, note 28		
Non-financial instruments -		
Sales and income tax credit, net	602,700	239,323
Intangible assets (b)	399,088	378,061
Prepaid expenses (c)	191,791	175,312
	<u>1,193,579</u>	<u>792,696</u>
	<u>5,643,382</u>	<u>1,815,253</u>

- (a) Transactions in progress are mainly those carried out during the last days of the month and are reclassified in the following month to their final accounts in the consolidated statement of financial position. These transactions do not affect the BBVA Peru Group's net profit. As of December 31, 2023, it mainly correspond to treasury transactions: i) purchase and sale of currency for S/2,749 million (S/291 million as of December 31, 2022), and ii) sale of securities for S/1,514 million (S/646 million as of December 31, 2022).

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Notes to the consolidated financial statements (continued)

- (b) The movement of intangible assets as of December 31, 2023 and 2022 is as follows:

	2023 S/(000)	2022 S/(000)
Cost		
Balances as of January 1	869,955	690,545
Additions	166,681	179,414
Disposal and other	(315,624)	(4)
Balances as of December 31	721,012	869,955
Accumulated amortization and impairment		
Balances as of January 1	(491,894)	(371,638)
Amortization	(100,598)	(107,066)
Impairment (*)	(45,056)	(45,536)
Disposals and other	315,624	32,346
Balances as of December 31	(321,924)	(491,894)
Net carrying amount	399,088	378,061

- (*) The carrying amounts of applications acquired or software developed that are not used or do not generate future economic benefits are stated as a provision for impairment.

- (c) As of December 31, 2023 and 2022, prepaid expenses mainly include prepaid insurance contracts and deferred loan origination costs related to fees paid to the external sales force.

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Notes to the consolidated financial statements (continued)

12. Obligations with the public and deposits from financial institutions

This caption comprises the following:

	2023 S/(000)	2022 S/(000)
Obligations with the public		
Time deposits	23,522,635	18,222,052
Savings accounts	22,741,991	25,112,300
Demand deposits	22,733,172	22,483,924
Other liabilities	210,319	235,476
	<u>69,208,117</u>	<u>66,053,752</u>
Deposits from financial institutions		
Demand deposits	1,077,220	603,166
Time deposits	330,219	192,859
Savings accounts	111,221	51,769
	<u>1,518,660</u>	<u>847,794</u>
	<u>70,726,777</u>	<u>66,901,546</u>

Interest rates for liability transactions are stated by the Bank, based on market interest rates.

As of December 31, 2023 and 2022, deposits and obligations include deposits received as guarantees of direct and indirect loan for S/1,291 million and S/822 million, respectively.

As of December 31, 2023, from the total deposits and obligations from individuals and non-profit entities and legal entities, S/24,383 million are hedge by the Deposit Insurance Fund and are obtained from the closing balances of the month according with SBS Resolution N° 2448-2020 (S/25,520 million as of December 31, 2022). The maximum amount subject to coverage per person amounts to S/123,810 as of December 31, 2023 (S/125,603 at the end of December 2022).

As of December 31, 2023, a portion of the time deposit balances of US\$5 million have a cash flow hedge (US\$24 million as of December 31, 2022), (note 8(ii).)

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On May 25, 2022 and April 8, 2021, by means of Law No 31480 and Law No31171, "Law that authorizes the provision of compensation for time of service in order to cover the economic needs caused by the COVID-19 pandemic", the Peruvian Government authorized workers to make free use of their full employees' severance indemnities (CTS) until December 31, 2023, deposited with financial institutions and accumulated at the date of disposal, including the deposits that were made in May and November 2022 and 2021 and the deposits that will be made in May and November 2023 to enable workers to meet their economic needs arising from the COVID-19 pandemic.

13. Debts and financial obligations

This caption comprises the following:

	2023 S/(000)	2022 S/(000)
Debts and financial obligations:		
Foreign financial institutions (a)	2,315,514	956,420
International financial organizations (b)	964,340	228,840
MIVIVIENDA Program - MIHOGAR loan - Local financial system (c)	930,192	672,155
Corporación Financiera de Desarrollo - COFIDE	5,092	5,143
Accrued interest payable	41,276	23,094
	<u>4,256,414</u>	<u>1,885,652</u>
Securities and obligations (d):		
Subordinated bonds	1,385,420	1,703,278
Corporate bonds	246,550	420,015
Accrued interest payable	18,943	27,992
Negotiable certificates of deposit	-	41
	<u>1,650,913</u>	<u>2,151,326</u>
	<u>5,907,327</u>	<u>4,036,978</u>

Certain loan agreements include standard clauses regarding compliance with financial ratios, use of funds and other administrative matters. As of December 31, 2023 and 2022, in management's opinion, these clauses are being met in all aspects, and do not represent any restriction to the BBVA Peru Group activities.

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Notes to the consolidated financial statements (continued)

(a) As of December 31, 2023 and 2022, the BBVA Peru Group maintains the following debt agreements with foreign financial institutions:

	2023			2022			Maturity date
	US\$(000)	S/(000)	Rate	US\$(000)	S/(000)	Rate	
BBVA S.A. (i)	200,000	741,800	3.18%	200,765	765,720	3.18%	February 2031
China Development Bank	180,000	667,620	SOFR + 1.37%	-	-	-	December 2026
ICO - Instituto de Crédito	54,381	201,699	SOFR + 0.64%	-	-	-	March 2030
ICO - Instituto de Crédito	29,915	110,955	SOFR + 0.81%	-	-	-	July 2030
Wells Fargo Bank	60,000	222,540	SOFR + 0.68%	-	-	-	June 2024
Caixa Bank	50,000	185,450	SOFR + 0.51%	-	-	-	January 2024
Bank of America	50,000	185,450	SOFR + 0.70%	-	-	-	May 2024
Mizuho Corporate Bank	-	-	-	50,000	190,700	SOFR + 1.56%	November 2023
	<u>624,296</u>	<u>2,315,514</u>		<u>250,765</u>	<u>956,420</u>		
Accrued interest payable	<u>9,099</u>	<u>33,748</u>		<u>5,555</u>	<u>21,187</u>		
	<u>633,395</u>	<u>2,349,262</u>		<u>256,320</u>	<u>977,607</u>		

(i) It corresponds to a subordinated debt in foreign currency for US\$200 million agreed at an annual interest rate of 3.18% for the first 5 years, and for the remaining years a new rate will be set with maturity on February 2031. Such a borrowing is accounted for as a Tier 2 regulatory capital. As of December 31, 2022 this borrowing is hedged by a fair value hedge through an interest rate swap, which has resulted in accumulated losses of S/3 million.

As of December 31, 2023 and 2022, BBVA Peru Group has deferred issuance expenses in accounts payable for S/1 million and S/2 million, respectively.

- (b) As of December 31, 2023 and 2022, this balance includes two borrowings for US\$150 million and US\$60 million with International Finance Corporation (IFC) with maturity on June 2029 and December 2027, and a borrowing for US\$50 million with CAF (Corporación Andina de Fomento) with maturity on May 2024. For the borrowing of US\$150 million the annual interest rate is SOFR + 1.65%, for the borrowing of US\$60 million the annual interest rate is 3.11% and for the borrowing of US\$50 million the annual interest rate is SOFR + 0.55%. Also, cash flows of the borrowing of US\$60 million are hedged with a cross currency swap - CCS (note 8(ii)) and this transaction reflects a balance of payables of S/2 million comprising deferred issuance expenses for both period.
- (c) As of December 31, 2023, it corresponds to resources obtained from Fondo MIVIVIENDA for the financing of the acquisition of houses under the MIVIVIENDA program (Credito MI HOGAR) for S/926 million in local currency and US\$0.1 million in foreign currency (S/664 million in local currency and US\$0.2 million in foreign currency as of December 31, 2022). As of December 31, 2023 and 2022, this borrowing accrues interest at an effective annual rate in US dollars of 7.75% and 6.25% in soles over the principal plus the constant update value ("VAC", by its Spanish acronym) in both periods, and has maturities until December 2043 and December 2042, respectively.

As of December 31, 2023 and 2022, the borrowings with Fondo MIVIVIENDA are guaranteed with mortgage loan portfolio up to S/926 million and S/664 million, respectively (note 7). These loans include specific agreements on how the funds should be used, the financial conditions that the final borrower must maintain, as well as other administrative matters.

Notes to the consolidated financial statements (continued)

(d) As of December 31, 2023 and 2022, securities and bonds are as follows:

	Amount authorized by program	Currency	Original amount placed	2023	2022	Maturity date
Corporate bonds						
2nd issuance series A - Fifth Program	US\$250 million	PEN	150,000	150,000	150,000	December 2026
2nd issuance series A - Seventh Program		PEN	100,000	-	100,000	June 2023
2nd issuance series B - Seventh Program		PEN	73,465	-	73,465	August 2023
2nd issuance series C - Seventh Program	US\$1,000 million	PEN	96,550	96,550	96,550	December 2024
				<u>246,550</u>	<u>420,015</u>	
Subordinated bonds						
3rd issuance series A - First Program		PEN	55,000	97,425	93,580	June 2032
2nd issuance series A - Second Program		PEN	50,000	86,740	83,317	November 2032
3rd issuance series A - Second Program	US\$50 million or S/158.30 million	USD	20,000	74,180	76,280	February 2028
4th issuance single series - Second Program		PEN	45,000	-	72,363	July 2023
5th issuance single series - Second Program		PEN	50,000	-	79,366	September 2023
6th issuance series A - Second Program	US\$100 million	PEN	30,000	48,722	46,799	December 2033
1st issuance single series - Third Program	US\$55 million	USD	45,000	-	171,630	October 2028
First Program of international Issuance I - Single issuance (i)	US\$300 million	USD	300,000	1,078,353	1,079,943	September 2029
				<u>1,385,420</u>	<u>1,703,278</u>	
Negotiable certificates of deposit						
				-	41	
Accrued interest payable						
				<u>18,943</u>	<u>27,992</u>	
				<u>1,650,913</u>	<u>2,151,326</u>	

(i) In September 2014, the Bank issued subordinated bonds in the international market for a nominal amount of US\$300 million, at an annual fixed rate of 5.25%, and with maturity in September 2029, the payment of the principal shall be carried out in full on its maturity date. These bonds are hedged by a fair value hedge through an interest rate swap, which has resulted in accumulated gains of S/31 million as of December 31, 2023 (accumulated gains of S/60 million as of December 31, 2022).

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Notes to the consolidated financial statements (continued)

As of December 31, 2023, corporate bonds do not have specific collaterals and accrue interest at effective annual interest rates ranging in local currency from 4.44% and 7.47% (4.40% and 7.50% as of December 31, 2022).

Subordinated bonds have been issued in accordance with the Banking Law, and accrue interest at a rate ranging from the constant update value (VAC) plus a spread for local currency, and from 5.3% and 6.5% for foreign currency, as of December 31, 2023 and 2022.

As of December 31, 2023 and 2022, el Bank records in accounts payable a balance of S/10 million and S/5 million, respectively, which corresponds to deferred issuance expenses.

14. Accounts payable, provisions and other liabilities

This caption comprises the following:

	2023 S/(000)	2022 S/(000)
Accounts payable, note 30		
Repurchase agreements with BCRP (a)	6,775,261	10,505,016
Accounts payable to suppliers	1,018,563	878,397
Other accounts payable (b)	476,753	478,266
Premium to deposit insurance fund, contributions and obligations with tax collecting institutions	238,520	203,842
Dividends, interest and remunerations payable	116,637	147,698
Interest payable	114,148	74,023
	<u>8,739,882</u>	<u>12,287,242</u>
Provisions		
Labor provisions and others	672,269	632,031
Provision for litigations, claims and other contingencies (c)	317,095	281,321
Provisions for indirect loan losses (d)	267,159	251,427
	<u>1,256,523</u>	<u>1,164,779</u>
Other liabilities		
Transactions in progress (e)	3,699,384	974,957
Deferred income and others	75,332	77,099
	<u>3,774,716</u>	<u>1,052,056</u>
	<u>13,771,121</u>	<u>14,504,077</u>

Translation of financial statements originally issued in Spanish - Note 32

Notes to the consolidated financial statements (continued)

- (a) As of December 31, 2023, it corresponds to repurchase agreements of the loan portfolio of the Reactiva Peru program for S/1,579 million (S/5,408 million as of December 31, 2022), repurchase agreements of rescheduled loans for S/4,898 million (S/4,901 million as of December 31, 2022) and repurchase agreements of certificates of deposits with the BCRP for S/298 million (S/196 million as of December 31, 2022).

As of December 31, 2023 and 2022, repurchase agreements of the loan portfolio of the Reactiva Peru program have a maturity until December 2025 and accrue interest at annual interest rates of 0.50%, repurchase agreements of rescheduled loans have a maturity until September 2025 and accrue interest at annual interest rates ranging from 0.50% to 3.50% for both periods.

- (b) As of December 31, 2023, it mainly includes S/16 million for insurance on behalf of borrowers (S/74 million as of December 31, 2022) and S/366 million for short sale transactions (S/279 million as of December 31, 2022).
- (c) BBVA Peru Group has several pending court claims, litigation and other processes that are related to the activities it develops, and in the opinion of Management and its legal advisors, they will not result in additional liabilities to those registered.
- (d) Movement in the provisions for indirect loan losses is as follows:

	2023 S/(000)	2022 S/(000)
Balance at the beginning of the year	251,427	244,106
Provisions	97,078	114,069
Recovery and reversals	(78,582)	(100,908)
Exchange difference and other adjustments	(2,764)	(5,840)
	<u>267,159</u>	<u>251,427</u>

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

	2023 S/(000)	2022 S/(000)
Specific	146,575	129,753
Generic	103,529	108,182
Provision for country risk	17,055	13,492
	<u>267,159</u>	<u>251,427</u>

Translation of financial statements originally issued in Spanish - Note 32

Notes to the consolidated financial statements (continued)

- (e) Transactions in progress are mainly those carried out during the last days of the month and are reclassified in the following month to their final accounts in the consolidated statement of financial position. These transactions do not have an impact on the BBVA Peru Group's net profit. As of December 31, 2023, liability transactions in progress mainly include treasury transactions for S/3,488 million (S/647 million as of December 31, 2022).

15. Equity

- (a) Share capital -

As of December 31, 2023 and 2022, the Bank's authorized, subscribed, and paid-in capital is represented by 8,147,211 and 7,382,184 thousand of ordinary shares outstanding, respectively, with a nominal value of S/1.00 per share.

The General Shareholders' Meeting held on March 30, 2023 and March 31, 2022 approved the increase in share capital for S/765 million and S/624 million, respectively, through the capitalization of retained earnings.

As of December 31, 2023 and 2022, shareholding on the Bank's share capital is as follows:

	2023		2022	
	Nº of shareholders	Interests %	Nº of shareholders	Interests %
Up to 1	9,995	6.59	8,601	6.62
From 1.01 to 5	1	1.17	1	1.14
From 45.01 to 100	2	92.24	2	92.24
	<u>9,998</u>	<u>100.00</u>	<u>8,604</u>	<u>100.00</u>

- (b) Reserves -

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

The General Shareholders' Meeting, held on March 30, 2023 and March 31, 2022, approved to record the legal reserve for the amount equivalent to 10% of 2022 profits (S/191 million) and 2021 (S/156 million), respectively.

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Notes to the consolidated financial statements (continued)

(c) Unrealized results -

As of December 31, 2023 and 2022, unrealized gain or loss, net of deferred income tax, is as detailed below:

	2023 S/(000)	2022 S/(000)
Available-for-sale investments, note 6(g)	114,460	(79,310)
Cash flows hedges, note 8	(18,980)	(26,016)
Interest on associates	130	195
Actuarial liabilities for long-term employee benefits	11,803	14,079
	<u>107,413</u>	<u>(91,052)</u>

(d) Retained earnings -

The General Shareholders' Meeting, held on March 30, 2023 and March 31, 2022, approved the capitalization of retained earnings for S/765 million and S/624 million, respectively, and dividend distribution for S/956 million and S/780 million, respectively.

(e) Regulatory capital and legal limits -

In accordance with the Banking Law, the regulatory capital amount could not be less than 10% of risk - weighted assets for credit risk, market risk and operational risk, which are calculated by the Bank using the standardized approach.

By means of Legislative Decree N° 1531 dated March 19, 2022, the Peruvian banking law was amended to adopt the Basel III capital standards and approach; major changes include: composition of regulatory capital, requirement of minimum ratios, powers in the event of noncompliance with solvency requirements, among others. The SBS, by means of general purpose standards, set the form and due dates for adequacy. By means of SBS resolution N° 03952-2022 dated December 27, 2022 and then modified by the SBS resolution N° 2192-2023 dated June 23, 2023, the minimum solvency requirements were set in article 199 of the General Banking Law with the following adequacy due dates.

Period	Common equity Tier 1 requirement	Tier 1 Regulatory Capital requirement	Minimum total regulatory capital ratio
January 2023 to March 2023	3.825%	5.10%	8.50%
April 2023 to February 2024	4.05%	5.40%	9.00%
March 2024 to August 2024	4.275%	5.70%	9.50%
September 2024 onwards	4.50%	6.00%	10.00%

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Notes to the consolidated financial statements (continued)

As of December 31, 2023, the regulatory capital of the Bank, determined according to current legal regulations, is S/14,912 million (S/12,885 million as of December 31, 2022):

	2023 S/(000)	2022 S/(000)
Common Equity Tier 1		
Plus		
Common shares	8,147,211	7,382,184
Profit or loss of the year	1,869,103	-
Unrealized gains from available-for-sale investments	130,940	-
Legal reserve	2,245,122	2,244,747
Less		
Regulatory adjustments	(594,612)	(39,692)
	<u>11,797,764</u>	<u>9,587,239</u>
Tier 2		
Plus		
Subordinated debt	741,800	762,800
Subordinated bonds	1,299,444	1,519,295
Generic provisions for loans	1,073,253	1,055,237
Less		
Regulatory adjustments	-	(39,692)
	<u>3,114,497</u>	<u>3,297,640</u>
Total regulatory capital	<u>14,912,261</u>	<u>12,884,879</u>

Pursuant to the Rules to meet the Requirement of Regulatory Capital for Additional Risk, as approved under Resolution SBS N° 03953-2022 (published on December 22, 2022), the requirement for additional regulatory capital is set to be the sum of the regulatory capital requirements each of which is calculated based on the following components: credit concentration risk and interest rate risk stated in the banking book. As of December 31, 2023 the requirement of regulatory capital for additional risks for the Bank amounts to S/486 million. Pursuant to the Rules to meet the Requirement of Conservation Buffers per Economic Cycle and for the Market Concentration Risk of, as approved under Resolution SBS N° 03954-2022 (published December 22, 2022), the methodologies were set to calculate the conservation buffer requirements per economic cycle, activation and operation of this buffer per economic cycle, the requirement for a buffer for market concentration risk, requirement for capital conservation buffer, and the restrictions applicable to non-compliance buffer requirements and other measures. As of December 31, 2023, the balance of the buffer requirement is S/1,555 million.

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Notes to the consolidated financial statements (continued)

As of December 31, 2023 and 2022, by means of Letter N° 7850-2023-SBS dated February 17, 2023 and Letter No 2097-2022 dated January 19, 2022, the SBS established that the Bank should maintain Tier 1 Capital Level above the 10% of the total risk-weighted assets. According these letters, as of December 31, 2023, Tier 1 Capital is measured considering share capital, retained earnings, net profit, unrealized gains on available-for-sale investments, legal reserve and deductions on Tier 1 Capital, while, as of December 31, 2022, Tier 1 Capital is measured considering share capital, legal reserve and deductions on regulatory capital. As of December 31, 2023 and 2022, the Bank's solvency ratio is 12.33% and 10.34%, respectively, in consistency with the requirements of the above mentioned letters.

As of December 31, 2023, the contingent asset and liabilities weighted by credit risk, market risk and operational risk under current regulations amounts to S/95,668 million (S/92,296 million as of December 31, 2022). Also, the Bank's global capital ratio by credit risk, market risk and operational risk is 15.59% (13.96% as of December 31, 2022).

It should be noted that the regulatory capital is a figure also used to calculate certain limits and restrictions applicable to the Bank and which Management considers the Bank has fully complied with.

16. Contingent risks and commitments

This caption comprises the following:

	2023 S/(000)	2022 S/(000)
Indirect loans:		
Guarantees and letters of guarantee	17,387,246	16,603,204
Letters of credit and banker's acceptance	1,054,247	1,309,834
	<u>18,441,493</u>	<u>17,913,038</u>
Unused credit lines and undisbursed loans granted	18,545,229	18,320,926
Various responsibilities	<u>5,935</u>	<u>6,102</u>
	<u>36,992,657</u>	<u>36,240,066</u>

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

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

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Notes to the consolidated financial statements (continued)

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

Management estimates that no significant losses will arise, for current contingent transactions as of December 31, 2023 and 2022.

17. Interest income

This caption comprises the following:

	2023 S/(000)	2022 S/(000)
Direct loan portfolio	6,520,042	5,019,347
Cash and due from banks, note 5 (c)	457,129	175,312
Available-for-sale investments	302,640	216,645
Investments at fair value through profit or loss	286,908	224,683
Interbank funds	15,057	6,753
Other finance income	4,119	4,312
Net gain result on hedge transactions	-	92,111
	<u>7,585,895</u>	<u>5,739,163</u>

18. Interest expenses

This caption comprises the following:

	2023 S/(000)	2022 S/(000)
Obligations with the public	(1,567,138)	(627,030)
Debts and financial obligations	(289,920)	(312,358)
Accounts payable	(169,887)	(116,181)
Net loss result on hedge transactions	(100,063)	-
Deposits from financial institutions	(68,951)	(20,560)
Interbank funds	(15,372)	(13,522)
Other financial expenses	(17,564)	(36,195)
	<u>(2,228,895)</u>	<u>(1,125,846)</u>

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Notes to the consolidated financial statements (continued)

19. Income from financial services, net

This caption comprises the following:

	2023 S/(000)	2022 S/(000)
Income		
Income from fees of credit cards	399,262	374,933
Income from indirect loans	288,101	263,715
Transfer fees	256,854	286,404
Income from fees for collections services	193,080	157,961
Income from online banking services for business	76,610	70,670
Income from services and maintenance of checking accounts	64,852	53,761
Income from technical and legal studies	29,542	12,351
Income from advisory services	19,845	25,551
Income from cash services	12,102	8,885
Income from trust and trust fees	1,372	1,220
Other income from services	370,841	313,565
	<u>1,712,461</u>	<u>1,569,016</u>
Expenses		
Expenses from operating with Visa, Mastercard and Plin	(197,561)	(164,612)
Customer loyalty program	(173,438)	(148,802)
Premiums to the Deposit Insurance Fund	(107,635)	(114,443)
Financial product sponsors	(87,684)	(73,220)
Transfers	(52,145)	(42,722)
Purchase of foreign currency - spot transaction	(11,492)	(9,615)
Government fund guarantee	(18,355)	(76,771)
Expenses of maintenance of checking accounts	(4,468)	(5,465)
Other expenses from services	(46,013)	(39,958)
	<u>(698,791)</u>	<u>(675,609)</u>
	<u>1,013,670</u>	<u>893,408</u>

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Notes to the consolidated financial statements (continued)

20. Profit or loss from financial transactions

This caption comprises the following:

	2023 S/(000)	2022 S/(000)
Foreign exchange differences, note 4	707,071	934,505
Investments at fair value through profit or loss	35,353	3,944
Hedging derivatives	31,608	(91,939)
Trading derivatives	23,192	(277,628)
Available-for-sale investments	(5,172)	823
Income from interest in associates, nota 9	(5,086)	7,846
Other	59,973	42,945
	<u>846,939</u>	<u>620,496</u>

21. Administrative expenses

This caption comprises the following:

	2023 S/(000)	2022 S/(000)
Personnel and Board of Directors expenses	(1,125,848)	(1,024,888)
Third party service expenses	(1,296,488)	(1,071,086)
Tax and contributions	(52,295)	(50,378)
	<u>(2,474,631)</u>	<u>(2,146,352)</u>

22. Other income and expenses, net

This caption comprises the following:

	2023 S/(000)	2022 S/(000)
Income tax recovery from previous years	84,279	-
Reversal of tax provisions, lawsuits and others	48,496	56,847
Profit on sale of non-current assets held for sale	4,705	631
Realizable, received in payment and seized assets	(29,659)	(21,101)
Loss in cards	(9,072)	(2,762)
Administrative and fiscal sanctions	(8,296)	(7,857)
Donations made	(3,770)	(4,153)
Other income and expenses	(12,656)	(7,599)
	<u>74,027</u>	<u>14,006</u>

Notes to the consolidated financial statements (continued)

23. Tax situation

Tax rates

- (a) BBVA Peru Group is subject to the Peruvian tax regime. As of December 31, 2023 and 2022, the corporate income tax rate in Peru is 29.50% on the net taxable income determined individually by each of the companies that make up the Group.

Through Legislative Decree N°1261, published December 10, 2016 and effective January 1, 2017, the rate applicable to corporate income is amended to 29.50%.

The aforementioned Legislative 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.

- (b) In accordance with current tax legislation in Peru, non-resident subjects are taxed only on their Peruvian source income. Thus, in general terms, the income obtained by subjects not domiciled for services rendered in our country are taxed with income tax at a rate of 30% on a gross basis, as long as does not require the application of an Agreement to avoid the double taxation (CDI) that the country has signed and that is in force. Currently, Peru has CDIs in force with the Andean Community, Chile, Canada, Brazil, Portugal, Switzerland, Mexico, South Korea and Japan.

For the purposes of technical assistance services or digital services provided by non-resident subjects in favor of domiciled subjects, the place of provision will be indistinct, and in all cases they will be taxed with income tax at a rate of 15% and 30 % on gross basis, respectively. The rate applicable to technical assistance services will be 15.%, provided that the requirements indicated in the Income Tax Law. As indicated in the previous paragraph, the withholding rate in these cases may vary or the withholding may even be inapplicable if the provisions of a current CDI are used.

On June 30, 2023, Supreme Decree No. 137-20223-EF was published, by which Article 30 of the Regulations of the Income Tax Law is modified, an article that regulates the applicable rates for operations with non-domiciled residents. The amendment updates the use of the SOFR rate as the predominant prime rate for purposes of applying the reduced rate of 4.99 percent. It should be noted that the aforementioned rule came into force on June 30, 2023.

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Notes to the consolidated financial statements (continued)

(c) Income tax determination -

BBVA Peru Group computed its tax base as of December 31, 2023 and 2022 and determined consolidated current income tax for S/560 million and S/754 million, respectively.

Income tax expense per company comprises the following:

	2023 S/(000)	2022 S/(000)
Entities		
Banco BBVA Perú	551,028	733,717
BBVA Bolsa Sociedad Agente de Bolsa S.A.	166	1,100
BBVA Asset Management S.A. SAF	2,786	2,408
BBVA Sociedad Titulizadora S.A.	162	279
Inmuebles y Recuperaciones BBVA S.A.	2,184	4,001
BBVA Consumer Finance Edpyme en liquidación	2,019	10,912
Forum Comercializadora del Perú S.A. en liquidación	36	2
Forum Distribuidora del Perú S.A.	1,445	1,444
	<u>559,826</u>	<u>753,863</u>

Income tax expense comprises the following:

	2023 S/(000)	2022 S/(000)
Current income tax	558,402	791,089
Deferred income tax:		
Profit or loss	(16,629)	(51,952)
Income tax (adjustment/provision recovery)	<u>18,053</u>	<u>14,726</u>
	<u>559,826</u>	<u>753,863</u>

(d) Temporary tax on net assets -

BBVA Peru Group are 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 provisions for credit risk. The tax rate is 0.40% for the years 2023 and 2022 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 payments on account of income tax for taxable periods from March to December of the taxable year in which the tax was paid until maturity date of each of the payments on account, and against the payment for regularization of income tax of the relevant taxable year. In the event a remaining balance is not applied, its refund could be requested. BBVA Peru Group has computed temporary tax on net assets for the year 2023 at S/343 million (S/359 million at 2022).

Notes to the consolidated financial statements (continued)

(e) Financial transaction tax -

For the years 2023 and 2022, the Financial Transaction Tax rate has been set at 0.005% and is applicable to charges and credits in bank accounts or movements of funds through the financial system, unless it is exempt.

(f) Transfer pricing -

For purposes of determining income tax, the transfer prices of transactions with related companies and with companies resident in territories with low or no taxation, or with subjects or permanent establishments whose income, income or gains from said contracts are subject to a preferential tax regime, they must be supported with documentation and information on the valuation methods used and the criteria considered for their determination. The Tax Administration is authorized to request this information from the Company..

Until the 2016 taxable year, the formal Transfer Pricing obligations were given by the obligation to present the informative affidavit and have the technical study. As of January 1, 2017, through Legislative Decree N° 1312, published on December 31, 2016, the following formal obligations are established that replace the previous ones: i) submit the Local Report affidavit (as long as have income accrued over 2,300 UIT); ii) submit the Master Report affidavit (as long as the taxpayer has accrued income greater than 20,000 UIT); and, (iii) present the Country by Country Report affidavit (as long as the consolidated accrued income of the parent company of the multinational group for the previous year is greater than or equal to S/2,700 million). Both the Master Report and the Country by Country Report are required as of the 2018 taxable year. It should be noted that the Master Report is only on international operations and that Banco BBVA Perú is not subject to submitting the Country by Country Report in accordance with the exceptions established in Superintendence Resolution N° 163-2018/SUNAT and the Regulations of the Income Tax Law.

Also, under the provisions of the above-mentioned Legislative Decree N° 1312 low valued-added intragroup services are not allowed to have a margin of more than 5% over cost; in respect to services rendered between related parties, taxpayers must meet the benefit test requirement and provide the requested documentation to support conditions and have with the information requested that are needed for tax deduction of costs or expense.

Legislative Decree N° 1116 established that Transfer Pricing standards are not applicable to sales tax (IGV, by its Spanish acronym) purposes.

Through Legislative Decree N° 1381 published on August 24, 2018, the concept of "non-cooperative" countries or territories and preferential tax regimes are incorporated into the Income Tax Law, in respect of which the already existing defensive measures are imposed for countries and territories with low or no taxation.

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Notes to the consolidated financial statements (continued)

Based on an analysis of the Bank's transactions, Management and its legal counsel consider that no significant contingencies arose from the application of these standards as of December 31, 2023 and 2022.

(g) Tax assessment by Tax Authority -

The Tax Authority (SUNAT, by its Spanish acronym) has the power to review and, if applicable, correct the income tax calculated by the Bank and its subsidiaries in the four years after the year of the tax return filing.

The income tax returns open for review by the tax administration of BBVA Peru Group's entities are the following:

Entities	Years open for review
Banco BBVA Perú	2018 - 2022
BBVA Bolsa Sociedad Agente de Bolsa S.A.	2019 - 2023
BBVA Asset Management Continental S.A. S.A.F.	2019 - 2023
BBVA Sociedad Titulizadora S.A.	2019 - 2023
Inmuebles y Recuperaciones BBVA S.A.	2019 - 2023
BBVA Consumer Finance EDPYME en liquidación	2019 - 2023
Forum Comercializadora del Perú S.A. en liquidación	2019 - 2023
Forum Distribuidora del Perú S.A.	2019 - 2023

In management's opinion, the tax processes and the tax returns not yet reviewed will not generate significant liabilities that would impact on the results of the Bank and its subsidiaries, in accordance with IFRIC 23.

Due to the possibility of various interpretations of the current legal regulations by the Tax Authorities, it is not possible to determine, to date, whether a future tax audit will or will not result in liabilities for the Bank and its subsidiaries; therefore, any major tax, surcharges, and sanctions that might arise from eventual tax audits would be applied to profit or loss of the period in which they are recognized. However, it is the opinion of Management and its internal legal advisors that any possible additional settlement of taxes would not be significant for the consolidated financial statements as of December 31, 2023 and 2022.

As of December 27, 2023, the Bank has been notified by the Tax Court where it orders the tax authority to re-assess the Income Tax for the 2016 financial year and return the corresponding balance in favor, an amount that will be received during 2024 and for which S/84 million is recognized.

Notes to the consolidated financial statements (continued)

(h) Tax regime applicable to sales tax (Value-added tax - VAT or IGV) -

Regarding the IGV, interest arising on securities issued by public or private offering by legal entities incorporated or established in Peru is not subject to IGV; and neither are the interest on the securities not placed via public offering, when they were acquired via a centralized mechanism of trading as described in the Peruvian Securities Market Law.

Dated December 30, 2021 Legislative Decree N° 1519 was enacted to extend the effective of Legislative Decree N° 783 that approves the refund of taxes levied on acquisitions with foreign grants and imports of diplomatic missions and other as well as the VAT exemption on electronic money issuance by issuers of electronic money up until December 31, 2024.

In addition, dated December 29, 2022 Law N° 31651 was enacted to amendment of Article 7 to the Peruvian VAT Law establishing that exemptions contained in Appendices I and II will be effective until December 31, 2025. It should be noted that this standard became effective on January 1, 2023.

(i) Uncertainty over income tax treatments -

In accordance with IFRIC 23, the BBVA Peru Group has assessed its uncertain positions over tax treatments and concluded, based on its assessment of tax compliance and transfer pricing, that it is probable that the Tax Authority will accept its tax treatment. The interpretation did not have an effect on the Bank and Subsidiaries consolidated financial statements as of December 31, 2023 and 2022.

(j) Regulatory concept of accrual -

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

In general, the new criteria for Income Tax determination will matter if the substantial facts underlying revenue-earning or expense-incurring activities occur as agreed by the parties, facts that are not subject to a suspensive condition; in which case, revenue shall be recognized when that condition is met regardless of the timing of collection or payment; and, whenever the determination of the consideration depends on a future event or fact, the proportional portion or total revenue or expense would be deferred until the relevant event or fact actually occurs.

The new legal accrual concept is applicable to lessees when determining the tax treatment of the expense associated with lease arrangements regulated by IFRS 16.

Notes to the consolidated financial statements (continued)

The new “legal accrual” concept requires the necessary reconciliation between the financial recognition of revenue, costs and/or expenses and their related recognition for tax purposes because the “legal accrual” concept differs from the accrual accounting concept.

Finally, it is worth indicating that this new concept shall not be applicable by those entities which accrue revenue or expenses for income tax purposes under the provisions of a special tax regime (industry-specific) of accrual.

(k) 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. If there is any financial expense balance that is not expected to be absorbed as an expense over a given year under the new rule of thin capitalization effective from January 1, 2021, it can be offset against the entity's income that is obtained over the four (4) following fiscal years (for example, four year carry forward) at the end of which, the balance will be considered expired and give rise to permanent differences. There are some exemptions regarding this limit for banks, taxpayers whose income is lower than 2,500 Peruvian tax units, infrastructure, public utilities, etc.

Through the Supreme Decree N° 402-2021 published on December 30, 2021 and with effective date since December 31, 2021, it was modified the Regulation on the Income Tax Law that governs the calculation of tax-EBITDA for the purpose of setting interest rate limits.

For the fiscal 2019 and 2020, finance costs arising from debts of independent and related parties are subject to the thin capitalization limit of three times the net equity as of December 31 of the prior period.

(l) Deduction of expenses or costs incurred in transactions with non-domiciled parties -

Legislative Decree N° 1369 requires that costs and/or expenses (including “outbound” interest) incurred with non-resident counterparties must have been effectively paid in order to be deductible in the year in which they were incurred up to before the expiration of the term for the presentation of the annual affidavit. Otherwise, its impact on the determination of the net income will be deferred to the year in which cash is paid, opportunity in which the corresponding withholding will be applied.

Such piece of regulation removed the obligation to pay the amount of the withholding on the amount accounted for as cost and/or expense.

(m) Indirect tax credit -

Effective January 1, 2019, under certain requirements, domiciled entities receiving foreign inbound dividends may deduct as direct tax credit the income tax that may have been levied foreign dividends and the corporate income tax (indirect tax credit) 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.

Notes to the consolidated financial statements (continued)

- (n) Permanent establishments -
Effective January 1, 2019, new assumptions of permanent establishments have been included, such as, the service completed in Peru to the same project, service or for a related one for a period not exceeding 183 calendar days within any given period of twelve months.
- (o) Measures for the enforcement of the anti-tax-avoidance general clause contained in Standard XVI of the Peruvian Tax Code -
Legislative Decree 1422 sets up the procedure to implement the General Anti-avoidance Rule, mainly stating that: (i) it is applicable only in final audit procedures in which acts, events or situations that occurred since July 19, 2012 are reviewed; (ii) it is applicable only if there is a favorable opinion from a review committee composed of SUNAT's officers; and (iii) final tax 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

It should be noted that, at the reporting date, the General Anti-avoidance Rule is in full effect together with the application of Standard XVI of the Peruvian Tax Code.

Dated May 6, 2019 Supreme Decree 145-2019-EF, was published on the official newspaper of Peru "El Peruano," approving all the formal and substantial parameters for the application of the General Anti-avoidance Rule provided in the Standard XVI of the Peruvian Tax Code.

Consequently, the requirement to end the suspension of the application for such rule, established by Law 30230, is deemed fulfilled. Likewise, the Regulation for Tax Audits performed by SUNAT has been modified accordingly.

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

- (p) Joint and several liability of legal representatives and directors of entities -
Since September 14, 2018, through Legislative Decree N°1422, it was established that when an audited individual is subject to the General Anti-Tax-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 attributable to such representatives provided that they collaborated with the design or approval or execution of acts, situations or economic relationships with a tax-avoidance purpose.

Notes to the consolidated financial statements (continued)

The regulation also involves the members of the Board of Directors of companies, by noting that these subjects are responsible for defining the tax strategy of the companies in which they are directors, and they must decide whether or not to approve acts, situations or economic relations to be carried out in the framework of tax planning, being non-delegable - according to the norm in comment - this attribution of the Directors.

Members of domiciled entities' Board of Directors were granted until March 29, 2019 to ratify or modify the acts, situations or economic relationships carried out within the tax planning framework and implemented from September 14, 2018 that have tax effect up to the current date.

Nonetheless the aforementioned maximum term for complying with this formal requirement and considering that such joint and several liability attributable to legal representatives and directors, and the absence of a definition of "tax planning," it will be critical for entities to review any act, situation or economic relationship that has: (i) increased tax liabilities; and/or (ii) generated a lower payment of taxes for such periods, in order to prevent any joint and several liability from arising, both from an administratively and criminal level, depending on the tax audit criteria, in case the General Anti-Tax-Avoidance Rule is applied to the entity on the occasion of a tax audit by SUNAT.

(q) Information about beneficial owners -

In the framework of the regulations to strengthen the fight against tax evasion and tax avoidance, as well as against money laundering and terrorism financing, effective August 3, 2018, the provisions introduced by Legislative Decree N°. 1372 are currently in force. The aforementioned Decree requires the presentation of information related to the beneficial owners to the competent authorities through a sworn statement on the ultimate beneficiaries. Such statement shall disclose the names of the individuals that actually hold title, ownership or control. Thus, it is mandatory to report the following: (i) identification of the beneficial owner; (ii) chain of title with its respective supporting documentation; and (iii) identification of third parties that have said information, if applicable. Also, it states that the information related to the identification of the beneficial owners 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 or rule.

Note that on December 23, 2022, Superintendence Resolution N° 000278 2022/SUNAT was published, establishing that legal entities must submit the Declaration of Final Beneficiary up to the dates established for compliance with the monthly obligations corresponding to the period of December 2023, modifying the original presentation date corresponding to December 2022.

Notes to the consolidated financial statements (continued)

On the other hand, it should be noted that Superintendence Resolution N° 000041-2022/SUNAT established that entities which reported net revenue in 2021 of more than of 300 UIT (S/1,380,000.00) and up to 500 UIT (S/2,300,000.00), and which were not required to file the Sworn Statement on Beneficial Owner previously in fiscal 2022, shall file such a statement for fiscal period May 2023, based on the last digit of the Peruvian taxpayer number (RUC) of the entities subject to the requirement, in line with the timetable of monthly tax obligations of fiscal 2023.

It should be noted that if the informative sworn statement containing the information about the beneficial owner is not submitted, the legal representatives of the entity that failed to comply with that filing will be considered jointly and severally liable.

On December 16, 2019 and June 20, 2022, the Bank comply with filing the sworn statement on beneficial owner on the date set in the monthly tax obligation timetable.

On December 10, 2023, Superintendence Resolution No. 000236-2023/SUNAT was published establishing the possibility of using the format that contains the information of the final beneficiary, for the purpose of reporting their identification, through a different means. to the physical. In this sense, it is provided that the format of the natural person who qualifies as a final beneficiary established in the Annex to the Regulation of the Law of the Final Beneficiary may appear in an electronic document that has a digital signature of the final beneficiary, in accordance with the provisions of the Regulations of the Law on Digital Signatures and Digital Certificates.

The aforementioned may not apply to persons or legal entities supervised by the SMV or SBS, provided that said subjects required to declare their final beneficiaries use any of the mechanisms that, in accordance with the provisions of said superintendencies, they implement to interact with their users. , provided that they allow the final beneficiary to be reliably identified.

(r) Indirect disposal of shares -

As of January 1, 2019, an anti-avoidance rule is incorporated to avoid the division of operations, through which, indirectly, shares of companies domiciled in Peru are sold. In this sense, Peruvian source income is considered to be that obtained from the indirect sale of shares or participations representing the capital of legal persons domiciled in the country. For such purposes, it must be considered that an indirect sale occurs when shares or participations representing the capital of a legal person not domiciled in the country are sold, which, in turn, is the owner directly or through another person or persons of shares or participations representing the capital of one or more legal entities domiciled in the country, provided that the conditions established by Law N° 30341 occur concurrently.

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Notes to the consolidated financial statements (continued)

Currently, the Income Tax Law states that a case of indirect transfer of shares is configured when, in any of the 12 months prior to the sale, the market value of the shares or participations of the domiciled legal entity is equivalent to 50 percent or more of the market value of the shares or participations of the non-domiciled legal entity, this requirement is automatically met if the market value threshold of Peruvian companies is exceeded.

Finally, as a concurrent condition, it is established that in any 12-month period, shares or participations that represent 10% or more of the capital of a non-domiciled legal entity are sold.

Likewise, regardless of compliance with the provisions of the Income Tax Law, an indirect taxable transfer shall always occur 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 Peruvian tax units (UIT, by its Spanish acronym).

Further, from the effective date stated above, 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 severally liable party. Thus, the latter is required to provide, among other information, that about the transferred shares or interests of the non-domiciled legal person.

Per Legislative Decree N°. 1262 amending Law N°. 30341, the law promoting the integration of the securities market and by means of Emergency Decree N° 005-2019, the income obtained from the disposal of the following securities is exempted from income tax until December 31, 2022: a) common shares and investment shares b) American Depositary Receipts (ADR) and Global Depositary Receipts (GDR), c) Units of Exchange Trade Fund (ETF) with underlying items such as shares and debt instruments, d) Debt instruments, e) Certificates of ownership interest in mutual funds for investments in securities, f) Certificates of ownership interest in Investment Fund of Real- Estate Assets (Fondo de Inversión en Renta de Bienes Inmuebles - FIRBI) and certificates of ownership interest in securitization trusts (Fideicomiso de Titulización para Inversión en Renta de Bienes Raíces - FIBRA).

For common shares and investment shares, ADRs, GDRs and bonds convertible in shares, the following requirements should be met:

1. Disposal should be carried out via a centralized trading mechanism under the oversight of the securities market regulator (Superintendencia of the Securities Market).

Notes to the consolidated financial statements (continued)

2. Over a period of 12 months, a taxpayer and related parties do not transfer via one or more simultaneous or successive transactions, the ownership of 10 percent or more of the securities issued by the entity. For ADR and GDR, this requirement is determined based on the underlying shares.
If this requirement is not met, the taxable income is determined based on the transfers that that would had been exempted over the 12 months prior to the disposal. The relatedness is determined based on the provisions in subsection b, article 32-A of the Law.
3. Securities should be listed.

For all the securities involved, disposal is required to be completed via a centralized trading mechanism under the oversight of the SMV and they should be listed. With respect to negotiable invoices, the only requirement is that the disposal be completed via a centralized trading mechanism under the oversight of the SMV.

Finally, one cause for loss of exemption includes the fact an issuer delist its securities from the local stock exchange registry, either fully or partially, in one single act or progressively within a time span of 12 months following the date of disposal. Exemptions are to be determined under the relevant regulations.

Without prejudice of the above, on December 30, 2022 Law N° 31662 was published to extend until December 31, 2023 an income tax exemption on the disposal of securities carried out on the local stock exchange (BVL) as previously instated and set forth the following:

1. The income tax exemption is applicable to capital gains earned by an individual, undivided succession or matrimonial regime who opted to be pay taxes as such.
2. The income tax exemption is applicable to the first 100 UITs of capital gains earned in each taxable fiscal year.

The requirements originally set in Law N° 30341, Law promoting the liquidity and integration of the securities market are kept unchanged regarding the listed status of the securities and keeping ownership of at least 10% of the securities issued by the entity.

As of the date of this report, it should be noted that the aforementioned exemptions have not been renewed, therefore, as of January 1, 2024, they are not valid.

- (s) Information to be provided to SUNAT -
By means of Supreme Decree N° 430-2020-EF, published on December 31, 2020, the relevant Rules were approved stating the financial information that financial system entities must furnish to SUNAT for the fight against tax evasion and tax avoidance under the provisions of Legislative Decree N° 1434. Such Rules became effective on January 1, 2021.

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Notes to the consolidated financial statements (continued)

In addition, the aforementioned Rules specified that the items on which the Bank should, report to SUNAT are, among others, the cumulative balances and/or amounts, average or the highest balances and the return obtained on accounts for the reporting period and which equal or exceed S/30,800 over that period. The information will be submitted to SUNAT on a semiannual basis, via informative tax returns that will contain information for monthly periods.

(t) Income Tax Exemptions -

Through Legislative Decree N° 1549, the validity of all the exemptions in force to date contained in article 19 of the Income Tax Law is extended until December 31, 2026.

In this regard, some of the aforementioned extended exemptions applicable or related to the Bank's operations to benefit individual taxpayers are the following:

- Subsection i) article 19 states that the exemption covers any type of fixed rate or floating rate interest, in local or foreign currency, that is paid on a deposit or balance pursuant to the General Law of the Financial System and the Insurance System and Comprehensive Law of the Peruvian Banking and Insurance Regulator, Law N° 26702, as well as any capital increases in those deposits or balances in local or foreign currency, excepted when those inflows are third category income.

(u) Bancarization Law -

On March 3, 2022 Legislative Decree N° 1529 was published amending the Bancarization Law to promote the use of formal means of payment and reduce the amount at which formal means of payments are required to be used, as follows:

- The minimum amount at which formal Means of Payments should be used is two thousand soles (S/2,000) or five hundred U.S. dollars (US\$500).
- In order to improve the coverage of Means of Payment and thus expand the set of traceable operations, article 3 of the Banking Law was modified in order to indicate that the payment of sums of money from the operations indicated in Said article, for amounts equal to or greater than 1 UIT, even when it is partially carried out, can only be made using Means of Payment provided for in the Law.
- Payment of obligations to non-domiciled individuals and/or legal entities that need to be made using the statutory Means of Payment can be made effective using non-domiciled financial institutions; in those cases in which the payer makes foreign trade transactions, including obligations derived from the acquisition of land and rights to shares and other securities.

Notes to the consolidated financial statements (continued)

- The requirement to use Means of Payment is considered met if the payment is made directly to the creditor, supplier and/or service provider, or whenever such payment is made to a third party designated by one of the above, as long as such designation is reported to SUNAT prior to payment.
- The requirement to use Means of Payment will not be considered met in any case when the payments are made effective via financial institutions or banks that are based in or have permanent establishments in territories or countries considered as tax havens.

This piece of legislation became effective on April 1, 2022, except for the amendment related to payments via the non-domiciled financial system entities that are based in tax havens, which would become effective on January 1, 2023.

- (v) On March 26, 2022 Legislative Decree N° 1539 was published amending the Peruvian Income Tax Law to include new methods to determine the market value of securities in transactions between unrelated third parties. This legislation would become effective in January 1, 2023.

Through Supreme Decree No. 326-2022-EF, published on December 29, 2022, Article 19 of the Regulations of the Income Tax Law was modified regarding the determination of the Market Value of securities in order to adapt it to the modifications introduced by Legislative Decree No. 1539. In that sense, the Decree establishes the following:

- In cases in which the quoted value is not applied, the market value will be the highest value resulting from comparing the transaction value and the discounted cash flow value or the equity participation value, as applicable.
- If there are securities listed on more than one exchange or centralized trading mechanism, the highest daily value recorded on the transaction date will be considered.
- Securities representing debt that are not listed on the Stock Exchange or in any centralized trading mechanism will be valued in accordance with the Price Vector. If there is no published Price Vector for said value, the one determined by a Price Provider Company, supervised by the SMV, will be used.
- The discounted cash flow method must be applied when the value of all the company's future flows discounted to their current value is established. If the company has several business units, the aforementioned value will take into account the projection made by each business unit that involves a foreseeable horizon of future flows.

Notes to the consolidated financial statements (continued)

- When the value of the assets of the legal entity is calculated on the basis of the last audited balance sheet closed prior to the date of the sale of shares or participations representing the capital, in the case of legal entities that are under the control and supervision of the Superintendency of the Securities Market, said balance sheet must have been closed within the 90 days prior to the aforementioned sale, and must be audited by an audit company domiciled in the country that has its current registration in the Registry of Audit Companies in a College of Public Accountants.

- (w) Filing the Common Standard Reporting for fiscal 2023 with SUNAT should be made in adherence to the timetable set for monthly tax obligations for the period of April 2024.

It should be noted that on the due dates contained in that timetable, financial institutions are required to report all required financial information to SUNAT as follows:

- Preexisting accounts of individuals (high and low value) as of December 31, 2023.
- Preexisting accounts of (reportable) entities as of December 31, 2023.
- New accounts of individuals as of December 31, 2023.
- New accounts of entities as of December 31, 2023.

- (x) Deducibility of provisions for loans -

In 2020, Ministry Resolution N° 387-2020-EF/15 was published to state that the provisions made for COVID-19 rescheduled loans, as described in the Resolution No. 11356-2008, and modified by SBS Resolution No. 3155-2020, jointly meet altogether the requirements set out in subsection h), Article 37 of the Peruvian Income Tax Law, with regulations per subsection e), Article 21 of the Rules. In this sense, these provisions must be treated as specific provisions and must be accepted for tax purposes by SUNAT.

On December 31, 2021, the Ministry Resolution N°. 394-2021-EF/15 was published to state that provisions for COVID-19 rescheduled loans, as described in the relevant regulations, meet altogether the requirements set out in subsection h), Article 37 of the Peruvian Income Tax Law. In this respect, subsection h), Article 37 of the Peruvian Income Tax Law states that financial system entities are allowed to deduct from its gross incomes those provisions that meet all the following requirements:

- these are specific provisions
- these are provisions that are not part of the regulatory capital, and
- these are provisions solely related to credit risk, classified into the categories of with potential problems, substandard, doubtful and loss.

Notes to the consolidated financial statements (continued)

- (y) On March 15, 2023, Legislative Decree No. 1545 was published, by which the first paragraph of article 26 of the Income Tax Law, on presumed interest income, is modified, establishing the following:

1. Regarding loans in national currency, it is presumed that they accrue interest no less than the monthly average active market rate in national currency (TAMN) published by the SBS multiplied by an adjustment factor of 0.42.
2. Regarding loans in foreign currency, it is presumed that they accrue interest no less than the monthly average active market rate in foreign currency (TAMEX) published by the SBS multiplied by an adjustment factor of 0.65.

It should be noted that the provisions indicated above came into force as of January 1, 2024.

- (z) On September 30, 2023, Superintendency Resolution No. 000204-2023/SUNAT was published, postponing the period from October 2023 to January 2024, the opportunity from which they must carry the Sales and Income Registry and the Purchase Registry through the Integrated System of Electronic Records (SIRE), the subjects who are obliged to keep the aforementioned records. It should be noted that by Superintendency Resolution No. 000258-2023/SUNAT, the use of the SIRE was postponed from January 2024 to the period April 2024.
- (a.1) On November 10, 2023, the Resolution of the Deputy National Superintendency of Internal Taxes No. 039-2023-SUNAT/700000 was published, which provides for the application of the discretionary power of the SUNAT to not sanction the infractions classified in the numerals 2 and 10 of article 175 of the Tax Code related to the keeping of books and records linked to tax matters electronically, provided that the criteria established in the Annex of the aforementioned Resolution are met, until April 30, 2024.
- (a2) The SBS through SBS Resolution No. 4342-2023 dated December 29, 2023, modified procedure No. 32 referring to the "Proof of irrecoverability for tax punishment of credits and/or accounts receivable from operating companies multiple and specialized companies" of the TUPA of the Superintendency of Banking and Insurance.

In this regard, it is pertinent to highlight the following:

- According to our tax legislation, in order for the entities of the financial system to carry out the write-off of doubtful debts that exceed 3 UITs (S/ 15,450 for 2024), they must previously provision said debts, according to the parameters established for for this purpose, as well as demonstrating the impossibility of taking legal action for bad debts, when the Board of Directors of said entities declares the futility of initiating the corresponding judicial actions.

Notes to the consolidated financial statements (continued)

- Said agreement must be ratified by the SBS, through a certificate certifying that the aforementioned companies have demonstrated the existence of real and verifiable evidence on the unrecoverability of the credits that are subject to punishment, which must be issued. within the deadline for the presentation of the annual sworn declaration of the year to which the punishment corresponds or until the date on which the company had submitted said declaration, whichever occurs first.
 - As can be seen, our tax regulations provide that financial entities must process the certificate of unrecoverability before the SBS, in order to support the admissibility of the write-off of bad debts within the deadlines established for this purpose, that is, the presentation of the declaration. annual sworn, and at the discretion of the tax authority, failure to comply with such requirement generates a permanent objection, as seen in SUNAT Official Letter No. 009-2004-2B0000.
- (a3) On December 19, 2023, Law No. 31962 was published, by means of which the interest rates applicable to refunds of tax payments made improperly or in excess, refunds for withholdings or perceptions not applied of the general sales tax and the corresponding amount for updating fines. In this sense, the following modifications are established:

The most important changes are:

Refunds of payments made improperly and/or in excess will be made applying the Default Interest Rate published by SUNAT (currently 10.8% annually), which is the same Rate that applies to unpaid taxes that are not paid on time. With this, the distinction of the interest rate is eliminated depending on whether the payment had been made voluntarily (5.04% annually, currently) or as a consequence of a requirement from the Tax Administration (10.8% annually, currently).

- In the case of the restitution of returns that become improper, the Average Passive Market Rate for operations in National Currency (TIPMN) published by the SBS will be applied.
- Interest applicable to tax fines: i) Unpaid tax fines will be updated by applying the legal interest rate set by the BCRP, in accordance with the provisions of article 1244 of the Civil Code (currently 3.7% annually). ii) Said interest will be applied from the date on which payment of the fine is required from the debtor by the Tax Administration., iii) Regarding the return of withholdings or perceptions not applied, the interest rate will be the same as It is applied to the unpaid tax, in accordance with article 33 of the Tax Code (10.8% annually).

In the opinion of management, as of December 31, 2023 and 2022, the BBVA Perú Group complies with the applicable regulations.

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Notes to the consolidated financial statements (continued)

24. Deferred income tax

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

	Balance as of January 01, 2022 S/(000)	Credit (debit) to equity S/(000)	Credit (debit) to income S/(000)	Balance as of December 31, 2022 S/(000)	Credit (debit) to equity S/(000)	Credit (debit) to income S/(000)	Balance as of December 31, 2023 S/(000)
Assets							
Generic provision for direct loans	495,196	-	(23,059)	472,137	-	(66,358)	405,779
Generic provision for indirect loans	39,448	-	63	39,511	-	1,688	41,199
Provision for Realizable, received in payment and seized assets	41,445	-	(4,331)	37,114	-	(817)	36,297
Specific provision for indirect loans	39,389	-	1,725	41,114	-	4,963	46,077
Provision for other expenses and others	143,668	-	107,968	251,636	-	66,191	317,827
Labor provisions	107,784	(250)	13,412	120,946	952	12,033	133,931
Interest in suspense	278	-	-	278	-	-	278
Available-for-sale investments	6,052	9	-	6,061	(724)	-	5,337
Cash flow hedges	2,131	8,878	-	11,009	-	-	11,009
Valuation of hedge of debt	10,958	-	-	10,958	-	8,632	19,590
	<u>886,349</u>	<u>8,637</u>	<u>95,778</u>	<u>990,764</u>	<u>228</u>	<u>26,332</u>	<u>1,017,324</u>
Liabilities							
Valuation of hedge of debt	-	-	(28,627)	(28,627)	-	-	(28,627)
Cash flow hedges	(123)	-	-	(123)	(2,944)	-	(3,067)
Intangible assets / deferred charges	(122,440)	-	(24,944)	(147,384)	-	(12,381)	(159,765)
Available-for-sale investments	(5,075)	3,368	-	(1,707)	(1,099)	-	(2,806)
Tax depreciation of property, furniture and equipment	(9,341)	-	(888)	(10,229)	-	(1,284)	(11,513)
Balancing of assets and liabilities due to exchange difference	(39,279)	-	10,633	(28,646)	-	3,962	(24,684)
	<u>(176,258)</u>	<u>3,368</u>	<u>(43,826)</u>	<u>(216,716)</u>	<u>(4,043)</u>	<u>(9,703)</u>	<u>(230,462)</u>
Net deferred tax asset	<u>710,091</u>	<u>12,005</u>	<u>51,952</u>	<u>774,048</u>	<u>(3,815)</u>	<u>16,629</u>	<u>786,862</u>

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Notes to the consolidated financial statements (continued)

25. Earnings per share

The calculation of the weighted average number of shares outstanding and earnings per share as of December 31 2023 and 2022, is as follows:

	Shares outstanding	Base shares in determining weighted average	Effective days to period-end	Weighted average number of common shares
2023				
Balance as of January 1, 2023	7,382,184	7,382,184	360	7,382,184
Capitalization of 2022 profit	765,027	765,027	360	765,027
Balance as of December 31, 2023	<u>8,147,211</u>	<u>8,147,211</u>		<u>8,147,211</u>
Net profit as of December 31, 2023				1,873,736
Basic and diluted earnings per share				<u>0.2300</u>
2022				
Balance as of January 1, 2022	6,758,467	6,758,467	360	6,758,467
Capitalization of 2021 profit	623,717	623,717	360	623,717
Capitalization of 2022 profit	-	765,027	360	765,027
Balance as of December 31, 2022	<u>7,382,184</u>	<u>8,147,211</u>		<u>8,147,211</u>
Net profit as of December 31, 2022				1,921,759
Basic and diluted earnings per share				<u>0.2359</u>

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26. Related party transactions

As of December 31, 2023 and 2022, the BBVA Peru Group's consolidated financial statements include related party transactions, which, under IAS 24 and SBS regulations, comprise the Parent Company, subsidiaries, related parties, associates, other related parties, and the Bank's directors and key management. All transactions with related parties are carry out under the available market conditions for unbound third parties.

(a) The balances of the BBVA Peru Group's consolidated statement of financial position arising from related parties as of December 31, 2023 and 2022 were as follows:

	2023					2022				
	Controlling party S/(000)	Related parties (*) S/(000)	Associates S/(000)	Key personnel and directors S/(000)	Total S/(000)	Controlling party S/(000)	Related parties (*) S/(000)	Associates S/(000)	Key personnel and directors S/(000)	Total S/(000)
Assets:										
Cash and due from banks	373,364	159	-	-	373,523	386,470	1,475	-	-	387,945
Loan portfolio, net	-	584,169	29,009	23,412	636,590	-	242,643	27,279	24,886	294,808
Trading derivatives	504,693	50,876	-	-	555,569	485,210	49,732	-	-	534,942
Other assets, net	49,908	272,454	-	-	322,362	214,896	28,886	-	-	243,782
Total assets	927,965	907,658	29,009	23,412	1,888,044	1,086,576	322,736	27,279	24,886	1,461,477
Liabilities:										
Obligations with the public and deposits from financial institutions	406,410	809,416	34,595	31,687	1,282,108	225,055	292,060	1,096	39,574	557,785
Debts and financial obligations	761,950	-	-	-	761,950	783,588	-	-	-	783,588
Trading derivatives	307,309	3,917	-	-	311,226	485,466	190	-	-	485,656
Provisions and other liabilities	186,850	362,556	-	-	549,406	271,976	303,343	-	-	575,319
Total liabilities	1,662,519	1,175,889	34,595	31,687	2,904,690	1,766,085	595,593	1,096	39,574	2,402,348
Off-balance sheet accounts:										
Indirect loans	-	168,392	193	-	168,585	-	70,287	13,385	-	83,672
Derivative instruments	19,274,866	413,900	-	-	19,688,766	18,579,416	16,400	-	-	18,595,816

(*) Related parties include balances and transactions with other related parties in accordance with IAS 24 and SBS regulations.

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Notes to the consolidated financial statements (continued)

(b) The effects of related party transactions in the BBVA Peru Group's consolidated statement of financial position are detailed below for the years ended December 31, 2023 and 2022:

	2023					2022				
	Controlling party S/(000)	Related parties (*) S/(000)	Associates S/(000)	Key personnel and directors S/(000)	Total S/(000)	Controlling party S/(000)	Related parties (*) S/(000)	Associates S/(000)	Key personnel and directors S/(000)	Total S/(000)
Interest income	-	1,404	219	110	1,733	-	951	181	112	1,244
Interest expense	(25,584)	(20,877)	(63)	(17)	(46,541)	(25,021)	(19,207)	-	(27)	(44,255)
Financial margin	(25,584)	(19,473)	156	93	(44,808)	(25,021)	(18,256)	181	85	(43,011)
Financial service income	8,038	741	-	28	8,807	6,945	545	-	23	7,513
Net commissions	8,038	741	-	28	8,807	6,945	545	-	23	7,513
Profit or loss from financial transactions, net	(7,587)	(6,235)	-	6	(13,816)	(11,623)	(1,878)	-	2	(13,499)
Administrative expenses	(127,003)	(227,063)	-	-	(354,066)	(140,501)	(166,623)	-	-	(307,124)
Other income and expenses, net	11	-	-	-	11	-	16	-	-	16
Other income and expenses	(134,579)	(233,298)	-	6	(367,871)	(152,124)	(168,485)	-	2	(320,607)

(*) Related parties include balances and transactions with other related parties in accordance with IAS 24 and SBS regulations.

Notes to the consolidated financial statements (continued)

(c) Loans to personnel and remunerations to key personnel -

As of December 31, 2023 and 2022, Board of Directors, executives and employees of BBVA Peru Group hold allowed loan transactions pursuant to the Banking Law, which regulates and establishes certain limits to transactions with members of the Board of Directors, executives and employees of the banks in Peru. As of December 31, 2023 and 2022, direct loans granted to employees, directors, executives and key personnel amount to S/879 million and S/709 million, respectively.

Likewise, as of December 31, 2023 and 2022, remuneration to key personnel and expenses allowance for the board of Director amounts to S/15 million and S/16 million, respectively.

27. Trust activities

The Bank offers structuring and management services of trust transactions and trust fees and is in charge of the preparation of the underlying contractual agreements. Assets held in trust are not included in the Bank's financial statements. The Bank is responsible for the appropriate management of these trusts based on the limits established by applicable laws and the respective agreement. As of December 31, 2023, the allocated value of assets in trusts and trust fees amount to S/11,201 million (S/10,288 million, as of December 31, 2022).

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Notes to the consolidated financial statements (continued)

28. Classification of financial instruments

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

	2023					
	At fair value through profit or loss		Loans and accounts receivable	Available-for-sale		
	Held for trading	Allocated at inception		At amortized cost (*)	Fair value	Hedging derivatives
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Assets						
Cash and due from banks	-	-	9,431,609	-	-	-
Interbank funds	-	-	17,009	-	-	-
Investments	4,387,392	-	-	1,122	10,760,082	-
Equity instruments	-	-	-	1,122	22,872	-
Debt instruments	4,387,392	-	-	-	10,737,210	-
Loan portfolio	-	-	70,647,238	-	-	-
Trading derivatives	1,237,496	-	-	-	-	-
Accounts receivable, note 11	-	-	130,068	-	-	-
Other assets, note 11	-	-	4,319,735	-	-	-
	<u>5,624,888</u>	<u>-</u>	<u>84,545,659</u>	<u>1,122</u>	<u>10,760,082</u>	<u>-</u>

(*) It includes investments measured at cost.

	2023				
	At fair value through profit or loss		At amortized cost	Other liabilities	Hedging derivatives
	Held for trading	Allocated at inception		S/(000)	S/(000)
	S/(000)	S/(000)	S/(000)		
Liabilities					
Obligations with the public	-	-	69,208,117	-	-
Interbank funds	-	-	378,451	-	-
Deposits from financial institutions	-	-	1,518,660	-	-
Debts and financial obligations	-	-	5,907,327	-	-
Trading derivatives	1,076,972	-	-	-	-
Hedging derivatives	-	-	-	-	93,486
Accounts payable, note 14	-	-	8,739,882	-	-
	<u>1,076,972</u>	<u>-</u>	<u>85,752,437</u>	<u>-</u>	<u>93,486</u>

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Notes to the consolidated financial statements (continued)

	2022					
	At fair value through profit or loss			Available-for-sale		
	Held for trading S/(000)	Allocated at inception S/(000)	Loans and accounts receivable S/(000)	At amortized cost (*) S/(000)	Fair value S/(000)	Hedging derivatives S/(000)
Assets						
Cash and due from banks	-	-	12,145,003	-	-	-
Investments	3,278,859	-	-	1,121	8,311,743	-
Equity instruments	-	-	-	1,121	30,639	-
Debt instruments	3,278,859	-	-	-	8,281,104	-
Loan portfolio	-	-	69,122,387	-	-	-
Trading derivatives	1,349,619	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	3,659
Accounts receivable, note 11	-	-	45,795	-	-	-
Other assets, note 11	-	-	976,762	-	-	-
	4,628,478	-	82,289,947	1,121	8,311,743	3,659

(*) It includes investments measured at cost.

2023				
	At fair value through profit or loss		Other liabilities S/(000)	Hedging derivatives S/(000)
	Held for trading S/(000)	Allocated at inception S/(000)		
Liabilities				
Obligations with the public	-	-	66,053,752	-
Interbank funds	-	-	-	-
Deposits from financial institutions	-	-	847,794	-
Debts and financial obligations	-	-	4,036,978	-
Trading derivatives	1,245,843	-	-	-
Hedging derivatives	-	-	-	103,628
Accounts payable, nota 14	-	-	12,287,242	-
	<u>1,245,843</u>	<u>-</u>	<u>83,225,766</u>	<u>103,628</u>

Notes to the consolidated financial statements (continued)

29. Financial risk management

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

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

This risk management area centralizes and concentrates management of the credit and market risk by means of 5 units that provide core services: (i) Retail Risk, (ii) Wholesale Risk, (iii) Market & Structural Risk, (iv) Recoveries and (v) Portfolio Management, Risk Reporting & Sustainability, and 2 units that provide cross-cutting functions: (i) Strategy, Transformation & Performance and (ii) GRM Data & Analytics.

This structure provides the adequate environment for synergies to be created in work teams and higher integration to be obtained in all business processes, from strategy, planning, to modeling and management tools.

Supplemental to this management, the Unit of Internal Control of Risks, part of the Internal Control and Compliance function, is charged with verifying that the relevant process controls and most important deliverables prepared by the Risk area.

In a highly complex juncture, in which the new reality demands us to keep making containment efforts as well as focusing on special groups of population for the bank to be able to provide the best support to those geographical areas most affected by social unrest and climate change effects, the risk management function is fully focused on managing portfolios from all fronts:

- Portfolio management under the guidelines defined by the SBS and the Government, customizing management and monitoring reports to meet the new needs of the ongoing juncture.
- From the Wholesale and Retail Admission, ongoing review and adjustment of the admission policies, rescheduling modalities carrying out the portfolio diagnosis, segmentation and action plans according to the identified criticality.

Notes to the consolidated financial statements (continued)

- Collections continue with follow-up and management efforts under a preventive and anticipatory approach, with a focus on special groups and the potential impact of impairment off the different portfolios always oriented to the most vulnerable and hardest-hit sectors. Specialized teams have been set up to manage collections by implementing differentiated strategies according to the portfolio to implement special containment efforts.

The functions of the 2 transversal service units are described below:

- GRM Data & Analytics: Its purpose is to lead the Data Driven culture in Risk, promoting the achievement of strategic objectives with reliable data and advanced analytics. The subunits that make it up are the following:

Analytics Expertise Center: Has the responsibility of defining and executing the development plan of credit risk models and parameters for natural and legal persons. Likewise, it has the function of permanent monitoring of the models, generating the necessary alerts to redirect and re-estimate the models if needed.

Risk Data: The function includes promoting the appropriate governance of data in the Risk area, as well as the interrelation between areas to seek the best quality of the data used. Likewise, it is responsible for supervising the definition, construction and monitoring of quality rules in prioritized critical processes.

- Strategy; Transformation & Performance: Provides services for strategic and transversal management in the Risk area. This allows to manage synergies between internal units and be a link with external areas to ensure operational excellence and transformation of the area. The subunits they make up are the following:

Strategy & Portfolio: Articulate strategic planning and transversal vision of the area. Promote the main levers of transformation and develop strategic communication. Manage the area's project portfolio to ensure adequate planning, execution and monitoring of progress and impacts.

Risk Control Assurance: Ensure adequate mitigation of operational risks of the assigned area in the first line of defense. Coordinate the admission and monitoring of control frameworks for new processes and projects. Coordination with control model partners and external auditors.

Process Improvement: Manage continuous improvement projects with a focus on the efficiency, quality and profitability of internal Risk services. Monitor the maturity and transformation of processes in order to achieve operational excellence objectives.

Solution Development: Manage technological transformation projects (platforms, engines, data infrastructure, analytical models, automations, etc.). Manage work teams to be able to execute projects that achieve strategic objectives.

Notes to the consolidated financial statements (continued)

Risk Tools: Manage the governance and functional management of productive Risk tools, offering support to users and monitoring their availability. Coordinate the execution of minor evolutionary changes that allow improvement and secure optimal performance of the tools.

Credit risk

The Bank's risk management system is supported by a corporate governance scheme in which the BBVA Peru Group determines the policies for the management and control of retail and wholesale credit risks, which adapt to local regulation and circumstances.

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

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

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

The Measurement & Guarantees team concentrates the calculation processes of the main risk metrics, integrating measurement processes of credit risk indicators related to provisions, regulatory capital, economic capital and risk-adjusted profitability. In addition, the guarantee management function has recently been incorporated with the measurement of impacts on the regulatory processes of provisions and capital.

The Risk Sustainability team has the objective of ensuring the correct execution of the calculation processes related to ESG (Environmental Social and Governance) metrics in scope of the Risk area, emphasizing the importance of this information being included in the clients' analysis to the appropriate management of ESG risks of the entire portfolio.

- Retail Credit: Manages retail credit risk, according to the strategic objectives established by the Bank and monitoring the quality of the risk of the operations generated. This management involves:
 - Define the guidelines for the admission of clients from the retail segment: natural person and "Business Banking".
 - Monitor the results of the behavior of products, segments and origination channel (massive campaigns or individual evaluation), analyzing their respective evolutions and developments.

Notes to the consolidated financial statements (continued)

- Evaluation of the level of debt, disseminating and strengthening the Bank's risk culture.
- Disseminate and strengthen the risk culture throughout the Organization, with special focus on continuous training programs, the development of capabilities in commercial areas and Risk specialists.
- Detect warning signs of high-risk groups based on statistical information and portfolio monitoring. Establish corrective measures by making adjustments to internal policy and guidelines.
- Ensure, through interrelation with the different business areas and attention to internal and external supervisory bodies, compliance with credit risk policies, guaranteeing adequate compliance with the Bank's Risk Appetite Framework.
- Maintaining a comprehensive credit risk policy that underlies the quality of the loan portfolio based on an intensive interaction of the several business areas and attention to the internal and external overseeing bodies.
- Proposing and promoting continuing improvements in business processes, tools, and standards for an efficient management of the Credit Risk.
- Overseeing compliance with policies in the process of analysis and admission of the credit risk on transactions arising in the commercial areas.

There are 5 sub-units supporting management: Individual Admission; Individual Admission Pymes, Campaign Natural Person (generate campaigns to individuals), Campaign Pymes (campaigns to small business), Strategies & Governance (responsible for policies and standards intended to ensure compliance with corporate and local rules and analysis and diagnostics of portfolio).

- Wholesale Credit: A unit charged with managing the wholesale loan portfolio oriented to maximize the economic benefits to be earned from the risk positioning and the limits set in the Asset Allocation framework, as derived from the definition of the Group's risk profile and risk appetite, and in compliance with the applicable laws and regulations and corporate and local policies.

Within its structure, there is a sub-unit called Wholesale Credit Strategies, charged with management of the wholesale portfolio, control of the Asset Allocation limits as well as definition of the growth and disinvestment policies and strategies.

On the other hand, there is the sub-unit called Wholesale Credit Governance, charged with updating and implementing the overall policies, standards and procedures as well as the following up on observations raised by Internal Audit, External Audit, Internal Control, Holding and the SBS. It services consultations made regarding standards and delegations. It also leads the Technical Office of the Credit Technical Committee (CTO).

Notes to the consolidated financial statements (continued)

In addition, as a way to keep an agile structure, there are two subunits in Admission:

Wholesale Admission Stage 1: This is a primary axis of analysis under industry groupings and keeps expertise by segment.

Admission & Monitoring Stage 2: Operating under a preventive management approach, involving strategies to hold and/or reduce the risk of portfolio, and stop impairment by structuring pertinent financial solutions.

Real Estate Risk: a team specialized in the real-estate sector; it has two subunits.

Wholesale Admission Real Estate: Charged with assessing the economic and financial aspects of the credit proposals of entities in the real-estate industry.

Wholesale Monitoring Real Estate: Charged with following up on the portfolio of real-estate projects in progress (monthly valuation of work progress, updating sales dashboard, matching cash flows, etc); until work satisfaction is obtained and sponsor debt is settled.

It should be noted that the tools Rating and Early Warnings are an important support for decision making. Further, the digital platforms “Programa Financiero ARCE” and “Programa Financiero Digital”, used in the BEC (Banca Empresa y Corporativa) and CIB (Corporate Investment Banking) segments, respectively, allow to prepare and analyze credit proposals.

Both the Wholesale Credit Governance team and Wholesale Credit Strategies have been working on initiatives to improve management. The Governance team continues with the review of local regulations for the respective updates. Likewise, together with Risk Transformation, they established a new model for assigning delegations for the Wholesale Admission part. The Strategies team promoted the Valida + rating validation initiative, having most of the portfolio qualified; Furthermore, ensuring the care of the Portfolio, containment plans are being generated to identify groups of vulnerable clients, either due to alerts specific to the sector or due to the situation (road closures, social mobilizations, FEN, etc.) that could activate preventive management actions that allow us to avoid future contingencies. Likewise, the Master Plan has been created as a long-term strategic plan to segment the portfolio and identify the best profiles, and guide the network's growth actions.

- Collection, Mitigation & Workout: It groups together the functions and processes necessary for the monitoring, nonpayment containment, collection, recoveries and the divestment of the portfolio with problems, from retail and wholesale banking and CIB, achieving crossway efficiencies in the processes, as well as in the external management channels (collection agencies, calls, and law firms) and internal (network of offices). The major sub-units are the following:
 - Retail Credit Early Default, a team charged with the recovery of the preventive and unpaid retail portfolio.

Notes to the consolidated financial statements (continued)

- Wholesale Credit Early Default, a team charged with managing the wholesale portfolio with payment difficulties and leading the sub-unit of Individual Classification, which assesses the Bank's non-retail customer portfolio to determine its rating and required level of provision, in consistency with the SBS and BBVA Group standards.
- Strategy, Governance & Management, a team that articulates collections and recoveries by means of initiatives, pilots and other projects that support data-processing and analysis.
- Retail Credit Late Default, a team charged with the court-ordered secured and off-court recovery and write-off of the retail portfolio.
- Wholesale Credit Late Default, a team charged with highest number of loans via court-ordered recoveries of the wholesale portfolio.
- IRBSA & Guarantees, a team charged with management and administration of commercialization of real-estate properties and other properties and setting the policies for the comprehensive management of guarantees.

The management of the portfolio with problems is articulated based on a centralized strategy that defines the differentiated actions for each of the segments and for each stage of the life cycle of the credit leveraged on policies of rescheduling, refinancing, adjudication and payment agreements with clients, in the search to provide solutions to clients in viable cases and minimize the expense of supplies. Finally, the divestment lever allows you to focus on the recoverable portfolio and control delinquency levels.

During 2023, the execution of the Comprehensive Collection Plan continued, with improvements in processes and information management scheduled within this transformation project that began in 2018, as well as solution products such as "commitment loan" and "refinanced with period of grace", the customer experience and the collection management platform that will allow greater traceability of the procedures carried out today, in line with good market practices. These actions consolidated the Recoveries team into a Collection and Recovery Center of Excellence.

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Maximum exposure to credit risk

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

	2023 S/(000)	2022 S/(000)
Cash and due from banks	9,431,609	12,145,003
Interbank funds	17,009	-
Investments at fair value through profit or loss	4,387,392	3,278,859
Available-for-sale investments	10,761,203	8,312,864
Loan portfolio	70,647,238	69,122,387
Trading derivatives	1,237,496	1,349,619
Hedging derivatives	-	3,659
Accounts receivable, note 11	130,068	45,795
Other assets, note 11	4,319,735	976,762
	<u>100,931,750</u>	<u>95,234,948</u>

Guarantees received

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

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

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

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Below is the detail of the guarantees as of December 31, 2023 and 2022:

	2023		2022	
	S/(000)	%	S/(000)	%
Mortgages	26,044,979	34	25,940,643	35
Endorsements and letters of guarantee received	3,606,263	5	6,490,818	9
Finance lease	3,529,543	5	3,511,965	5
Self-liquidating collaterals	647,150	1	518,081	1
Vehicle, industrial, agricultural pledges and others	54,312	-	74,435	-
Rest of guarantees	15,444,785	21	8,386,321	11
Guaranteed loans	49,327,032	66	44,922,263	61
Non-guaranteed loans	25,572,379	34	28,265,694	39
Total	74,899,411	100	73,187,957	100

Notes to the consolidated financial statements (continued)

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

<i>In thousands of soles</i>	2023						2022					
	Wholesale loans	Small and micro- business	Consumer loans	Mortgage loans	Total	%	Wholesale loans	Small and micro- business	Consumer loans	Mortgage loans	Total	%
Neither-past-due nor impaired loans	38,972,843	3,488,395	11,366,953	14,515,416	68,343,607	97	40,592,109	3,588,256	9,523,521	13,824,143	67,528,029	99
Normal	37,738,214	3,308,362	11,064,690	14,274,873	66,386,139	94	39,339,331	3,463,410	9,319,661	13,648,634	65,771,036	96
With potential problems	1,234,629	180,033	302,263	240,543	1,957,468	3	1,252,778	124,846	203,860	175,509	1,756,993	3
Substandard	-	-	-	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-	-	-	-
Past due but not impaired loans	136,316	1,311	51	653	138,331	-	174,159	2	2	516	174,679	-
Normal	40,623	745	12	-	41,380	-	38,453	1	2	4	38,460	-
With potential problems	95,693	566	39	653	96,951	-	135,706	1	-	512	136,219	-
Substandard	-	-	-	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-	-	-	-
Impaired loans	3,874,625	660,291	1,018,718	863,839	6,417,473	10	3,707,764	358,364	630,365	788,756	5,485,249	8
Normal	16,453	4	31	-	16,488	-	15,666	4	39	-	15,709	-
With potential problems	513,990	1	16	135	514,142	1	493,770	-	143	-	493,913	1
Substandard	741,623	147,124	253,436	273,358	1,415,541	2	699,869	73,298	148,548	205,967	1,127,682	2
Doubtful	880,072	185,951	463,026	252,888	1,781,937	3	761,235	93,200	236,629	189,595	1,280,659	2
Loss	1,722,487	327,211	302,209	337,458	2,689,365	4	1,737,224	191,862	245,006	393,194	2,567,286	3
Gross portfolio	42,983,784	4,149,997	12,385,722	15,379,908	74,899,411	107	44,474,032	3,946,622	10,153,888	14,613,415	73,187,957	107
Less: Provisions	(2,997,281)	(522,914)	(824,746)	(553,614)	(4,898,555)	(7)	(3,028,156)	(277,028)	(753,770)	(603,584)	(4,662,538)	(7)
Total net portfolio	39,986,503	3,627,083	11,560,976	14,826,294	70,000,856	100	41,445,876	3,669,594	9,400,118	14,009,831	68,525,419	100

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

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

During 2023 and 2022, customer transactions that throughout said periods were classified as past due and not impaired loans and as impaired loans have generated finance revenue of S/171 million and S/198 million, respectively.

As of December 31, 2023 and 2022, the guarantees of past due and non-impaired loans and impaired loans amount to S/3,257 million and S/2,659 million, respectively, of which S/3,255 million and S/2,523 million correspond to mortgage loans.

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As of December 31, 2023 and 2022, past due and non-impaired loans amounts to S/138 million and S/175 million, respectively. The breakdown of the referred credits according to days of arrears is shown below:

	2023				2022			
	16- 30 S/(000)	31- 60 S/(000)	61 - 90 S/(000)	Total S/(000)	16- 30 S/(000)	31- 60 S/(000)	61 - 90 S/(000)	Total S/(000)
Day in arrear								
Type of loans								
Corporate loans	-	-	-	-	41	1,663	674	2,378
Large-business loans	2,438	1,447	653	4,538	8,153	15,949	1,321	25,423
Medium-sized entity loans	53,950	57,464	20,364	131,778	60,980	65,511	19,867	146,358
	56,388	58,911	21,017	136,316	69,174	83,123	21,862	174,159
Small-business loans	-	1,309	1	1,310	-	2	-	2
Micro-business loans	-	1	-	1	-	-	-	-
Consumer loans	-	51	-	51	-	2	-	2
Mortgage loans	-	653	-	653	-	516	-	516
	-	2,014	1	2,015	-	520	-	520
Total	56,388	60,925	21,018	138,331	69,174	83,643	21,862	174,679

Risk concentrations

The loan portfolio is distributed in the following economic sectors:

	2023 S/(000)	2022 S/(000)
Mortgage and consumer loans	27,765,630	24,767,302
Commerce	12,907,348	13,889,067
Manufacture	10,306,904	10,691,306
Transportation, storage and communications	7,313,152	6,299,939
Real estate, business and rental companies	3,745,360	3,809,945
Agriculture and Livestock	2,803,778	3,144,823
Financial intermediation	2,335,228	2,278,990
Hotels and restaurants	1,469,431	1,623,101
Mining	1,466,553	1,136,403
Construction	950,420	1,063,506
Electricity, gas and water companies	788,699	1,233,808
Others	3,046,908	3,249,767
	74,899,411	73,187,957

Translation of financial statements originally issued in Spanish - Note 32

Notes to the consolidated financial statements (continued)

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

	2023					
	At fair value through profit or loss		Loans and accounts receivable	Available-for sale	Hedging derivatives	Total
	Held-for-trading S/(000)	Allocated at inception S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Financial instruments						
Peru	4,804,124	-	75,168,097	4,624,279	-	84,596,500
Rest of South America	-	-	19,780	18,350	-	38,130
Rest of world	-	-	18,170	-	-	18,170
Mexico	4,124	-	739	-	-	4,863
United States of America	391	-	7,976	6,118,544	-	6,126,911
Europe	834,205	-	5,055	30	-	839,290
	5,642,844	-	75,219,817	10,761,203	-	91,623,864
Provisions	(17,956)	-	(5,088,893)	-	-	(5,106,849)
Accrued interest on performing loans, note 7	-	-	746,092	-	-	746,092
Deferred interest, note 7	-	-	(99,710)	-	-	(99,710)
	5,624,888	-	70,777,306	10,761,203	-	87,163,397
						</

Notes to the consolidated financial statements (continued)

Market risk

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

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

- Interest rate risk: It arises as a consequence of variations in the term structure of market interest rates for the different currencies
- Exchange rate risk: It arises due to fluctuations in the exchange rates for the different currencies.
- Price risk: It arises as a result of changes in the market prices, either by specific factors of the instrument itself or by factors affecting all the instruments traded in the market.

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

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

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

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

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Notes to the consolidated financial statements (continued)

As of December 31, 2023 and 2022 the detail of the VaR for risk factors is as follows:

	2023 S/(000)	2022 S/(000)
VaR for risk factors		
VaR without smoothing	16,838	7,547
VaR interest	17,080	7,673
VaR exchange	568	1,451
VaR weighted	11,923	8,678
VaR maximum	20,272	12,498
VaR minimum	3,941	5,435

Structural interest risk

Structural interest risk is defined as the potential alteration that occurs in the interest income and/or in the equity value of an entity due to the variation in interest rates.

Considering the impact variable, we can see the following typologies of risk in the Group and the Bank:

- Interest margin risk: potential adverse deviation in the interest margin projected over a given horizon.
- Equity economic value risks: potential impact on the economic value of the financial institution's balance sheet.
- Risk of carrying amount of instruments accounted for at fair value in the banking book: potential impact on equity given the effect on the carrying amount of the portfolios of fixed income and derivatives classified as "Held to Collect and Sell" (HtC&S).

Structural interest rate risk management is aimed at maintaining the stability of the interest margin in the face of interest rate variations, contributing to the generation of recurring results, and controlling the potential impacts on equity due to the mark-to-market of instruments classified as "held to collect and sale" (in local accounting as "available for sale") as well as limiting capital needs for structural interest risk.

The Asset & Liability Management & Capital unit, supported by the Assets and Liabilities Committee (hereinafter ALCO) conducts active management of the banking book through operations to optimize the level of risk assumed, in relation to the expected results, and allow compliance with the maximum levels of tolerable risk.

Notes to the consolidated financial statements (continued)

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

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

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

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Notes to the consolidated financial statements (continued)

The consumption of the structural interest risk levels of the BBVA Peru Group during the years 2023 and 2022 are presented as follows:

2023		Dec-23	Nov-23	Oct-23	Sep-23	Aug-23	Jul-23	Jun-23	May-23	Apr-23	Mar-23	Feb-23	Jan-23
Limit consumption													
Financial margin sensitivity	9.5%	1.88%	1.74%	2.49%	2.65%	3.28%	3.41%	3.64%	3.83%	4.38%	4.66%	4.78%	4.66%
Alert consumption													
Economic value sensitivity (*)	750	754	761	720	712	698	683	665	582	535	538	494	499
Economic capita (EC) (*)	950	976	989	941	934	938	922	903	779	749	715	666	669
Earnings at risk (EaR)	4.5%	2.01%	1.74%	1.64%	1.80%	2.00%	1.97%	2.38%	2.24%	2.47%	2.71%	2.46%	2.70%
2022		Dec-22	Nov-22	Oct-22	Sep-22	Aug-22	Jul-22	Jun-22	May-22	Apr-22	Mar-22	Feb-22	Jan-22
Limit consumption													
Financial margin sensitivity	9.5%	N/D	4.5%	4.9%	5.9%	6.2%	6.6%	6.6%	7.9%	7.5%	7.4%	8.5%	7.7%
Alert consumption													
Economic value sensitivity	750	N/D	501	484	485	503	512	517	506	332	329	399	285
Economic capital (EC)	900	N/D	753	735	744	743	700	725	689	659	716	612	445
Earnings at risk (EaR)	4.5%	N/D	2.5%	2.4%	3.0%	3.1%	3.1%	3.2%	3.6%	3.9%	4.0%	3.2%	3.0%

(*) Since November 2023, there has been an exceedance of the Economic Value Sensitivity limit (PEN 750 MM) and the Economic Capital limit (PEN 950 MM) explained mainly by the balance of soles due to a longer duration of the asset and by decrease in market interest rates.

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

Notes to the consolidated financial statements (continued)

Liquidity risk:

The liquidity and financing risk is defined as the inability of a financial institution to honor its payment obligations due to a lack of funds or whenever a financial institution has to resort to financing under especially severe conditions to be able to honor those obligations.

As part of this risk and considering a temporary horizon over which the payment obligation occurs, we can distinguish:

- Liquidity risk: The risk of suffer losses in the short-term resulting from events that affect their ability to use cash resources to meet its more immediate payment obligations, either because of the impossibility to sell assets or an unexpected reduction of trade liabilities, or because the regular financing sources are shut down bot in normal or stress situation, and including the potential outflow of additional resources for contingent reasons.
- Intraday liquidity risk: Risks that a financial institution is not able to meet its daily settlement obligations; for example, because of timing mismatches in payment, settlement systems or other relevant.
- Financing risk: This risk reflects the increase in the exposure of balance sheet of a financial institution, medium and short-term resulting from its deviation from its target to keep stable resources inherent to its activity, together with other wholesale stable financing resources to enable a diversification by due dates and sources, as a way to concentration of counterparties that sharpen the exposure or vulnerability of the financial institution in a stress scenario. In a context of higher exposure to this risk, a higher probability exists of incurring in higher short-term financing, higher use of collaterals, and in any case, an intensified short-term liquidity risk.

The Group and Banco BBVA Peru aim at promoting a sound financing structure to contribute with the sustainability of the business model. For that purpose, the risk model promotes maintaining an adequate number of stable resources in a wholesale diversified financing model that restrict the weight of short-term financing, ensure access to several markets, optimize the costs of financing, and creates a buffer of liquid assets for the Bank to be able to survive under stress scenarios.

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

Notes to the consolidated financial statements (continued)

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

The periodic measurements of the risk incurred and the monitoring of the consumption of limits are carried out by the Structural, Markets and Fiduciary Risks Unit, which monthly reports the liquidity risks level to the ALCO; as well as more frequently to the management units. It should be noted that during the beginning of the state of emergency due to the COVID-19 pandemic, the Structural Risks unit increased the measurement frequency of the main liquidity indicators in order to carry out a daily monitoring that allows anticipating any contingency and supporting the management areas.

Moreover, the Basel Committee on Banking Supervision (BCBS) has proposed a new liquidity regulation scheme based on two ratios: "Liquidity Coverage Ratio" (LCR) that entered into force in 2015 and the "Net Stable Funding Ratio" (NSFR) has been implemented since 2018. Both the Bank and the BBVA Group as a whole participated in the corresponding impact study (QIS) that has included the new regulatory challenges in its new general framework of action in the field of liquidity and financing. At the local level, the SBS has also implemented monitoring of the Liquidity Coverage Ratio (RCL), following the general guidelines of the Basel Committee, although adapting it to the Peruvian reality. This RCL indicator began to be measured from December 2013 and its calculation is daily. The limit established for the RCL is 80% for the period 2014 - 2017, 90% for 2018 and 100% for 2019 onwards, which is being met with ease.

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Notes to the consolidated financial statements (continued)

In accordance with SBS regulations, the maturities of assets and liabilities as of December 31, 2023 and 2022, including accrued interest on loans and deposits, are as follows. Other accounts receivable and other financial assets are not included.

	Up to 1 month S/(000)	1-3 months S/(000)	Between 3 and 6 months S/(000)	Between 6 months and 1 year S/(000)	Between 1 year and 5 years S/(000)	More than 5 years S/(000)	Sold and under court collection S/(000)	No contractual maturity S/(000)	Total S/(000)
2023									
Assets									
Cash and due from banks	9,094,778	51,351	24,849	17,363	242,865	403	-	-	9,431,609
Interbank funds	17,009	-	-	-	-	-	-	-	17,009
Investments at fair value through profit or loss	4,387,392	-	-	-	-	-	-	-	4,387,392
Available-for-sale investments	9,455,308	7,675	2,856	737,931	220,087	337,346	-	-	10,761,203
Loan portfolio	6,224,730	6,205,973	6,171,406	11,980,234	27,677,721	13,849,137	3,536,302	-	75,645,503
Trading derivatives	190,592	77,396	92,081	191,103	217,462	468,862	-	-	1,237,496
	<u>29,369,809</u>	<u>6,342,395</u>	<u>6,291,192</u>	<u>12,926,631</u>	<u>28,358,135</u>	<u>14,655,748</u>	<u>3,536,302</u>	<u>-</u>	<u>101,480,212</u>
Liabilities									
Obligations with the public	13,362,892	8,599,552	4,041,765	2,916,947	40,205,961	81,000	-	-	69,208,117
Demand deposits	2,626,640	1,922,862	-	-	18,183,670	-	-	-	22,733,172
Saving accounts	2,404,859	1,049,403	-	-	19,287,729	-	-	-	22,741,991
Time deposits	8,121,074	5,627,287	4,041,765	2,916,947	2,734,562	81,000	-	-	23,522,635
Others	210,319	-	-	-	-	-	-	-	210,319
Interbank funds	378,451	-	-	-	-	-	-	-	378,451
Deposits from financial institutions	1,407,873	65,313	34,131	3,406	7,937	-	-	-	1,518,660
Debts and financial obligations	229,013	22,483	599,018	105,423	1,414,799	3,536,591	-	-	5,907,327
Trading derivatives	353,660	50,182	96,830	91,799	228,949	255,552	-	-	1,076,972
Hedging derivatives	-	-	594	42,318	50,574	-	-	-	93,486
Accounts payable	2,355,281	180,216	463,900	3,136,024	2,604,461	-	-	-	8,739,882
Other liabilities	3,774,716	-	-	-	-	-	-	-	3,774,716
	<u>21,861,886</u>	<u>8,917,746</u>	<u>5,236,238</u>	<u>6,295,917</u>	<u>44,512,681</u>	<u>3,873,143</u>	<u>-</u>	<u>-</u>	<u>90,697,611</u>

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Notes to the consolidated financial statements (continued)

	Up to 1 month S/(000)	1-3 months S/(000)	Between 3 and 6 months S/(000)	Between 6 months and 1 year S/(000)	Between 1 year and 5 years S/(000)	More than 5 years S/(000)	Sold and under court collection S/(000)	Total S/(000)
2022								
Assets								
Cash and due from banks	9,598,572	250,930	159,722	145,085	1,990,474	220	-	12,145,003
Investments at fair value through profit or loss	3,278,859	-	-	-	-	-	-	3,278,859
Available-for-sale investments	6,871,164	70,508	45,786	20,214	986,580	318,612	-	8,312,864
Loan portfolio	8,276,036	8,727,045	7,430,104	8,876,959	27,406,847	9,947,233	3,207,132	73,871,356
Trading derivatives	81,384	125,626	88,827	160,245	287,151	606,386	-	1,349,619
Hedging derivatives	-	-	-	-	3,659	-	-	3,659
	<u>28,106,015</u>	<u>9,174,109</u>	<u>7,724,439</u>	<u>9,202,503</u>	<u>30,674,711</u>	<u>10,872,451</u>	<u>3,207,132</u>	<u>98,961,360</u>
Liabilities								
Obligations with the public	9,463,766	5,979,509	3,819,413	3,411,417	43,278,647	101,000	-	66,053,752
Demand deposits	2,556,312	1,871,329	-	-	18,056,283	-	-	22,483,924
Saving accounts	1,836,092	1,338,309	-	-	21,937,899	-	-	25,112,300
Time deposits	4,835,886	2,769,871	3,819,413	3,411,417	3,284,465	101,000	-	18,222,052
Others	235,476	-	-	-	-	-	-	235,476
Deposits from financial institutions	302,109	167,176	32,607	103	345,799	-	-	847,794
Debts and financial obligations	30,191	32,402	11,148	533,740	401,736	3,027,761	-	4,036,978
Trading derivatives	383,109	106,631	51,200	87,052	269,152	348,699	-	1,245,843
Hedging derivatives	-	-	3,081	15,125	85,422	-	-	103,628
Accounts payable	2,210,414	1,068,505	1,204,232	1,033,142	6,770,938	11	-	12,287,242
Other liabilities	1,052,056	-	-	-	-	-	-	1,052,056
	<u>13,441,645</u>	<u>7,354,223</u>	<u>5,121,681</u>	<u>5,080,579</u>	<u>51,151,694</u>	<u>3,477,471</u>	<u>-</u>	<u>85,627,293</u>

Notes to the consolidated financial statements (continued)

Operational risk

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

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

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

In connection with qualitative management, the Support Tool for Operational Risk Management (MIGRO tool) makes it possible to record the operational risks identified by associating them with a taxonomy of processes and their quantification, as well as recording the evaluation periodical controls associated with critical risks. Throughout 2023, because of the risks and controls are being updated, the operational risk management model remained valid.

In addition, there is a database which is a fundamental quantitative tool for operational risk management (Integrated Operational Risk System - SIRO), that collects every operational risk event that represents a loss for the Bank and its subsidiaries.

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

The effective equity requirement for operational risk based on the alternative standard method as of December 31, 2023 amounts to S/735 million (S/665 million as of December 31, 2022).

Notes to the consolidated financial statements (continued)

30. Fair value

Fair value is the amount for which an asset could be exchanged between duly informed buyer and seller, or a liability settled, between knowledgeable between duly informed debtor and creditor, in an arm's length transaction.

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

Although Management uses its best judgment to estimate the fair value of the financial instruments of the BBVA Peru Group, there are weaknesses inherent to any valuation technique. As a result, the fair value may not be an approximate estimate of the net realizable value or the liquidation value.

The following considerations may be applied to the methodology and assumptions used in the fair value estimates of the BBVA Peru Group's financial instruments.

- (i) Assets and liabilities whose fair value is similar to the carrying amount
This assumption applies to those assets and liabilities with current maturity, arranged at a floating rate and to those included in Official Letter N° 43078-2014-SBS, where the SBS determined that their fair value corresponded to the carrying amount.
- (ii) Assets and liabilities at fixed rate
Uses the methodology of projection of future cash flows discounted at market interest rates for instruments with similar characteristics.
- (iii) Assets and liabilities measured at fair value

In the determination of fair value, three levels are distinguished:

Level 1:

For instruments quoted in active markets, the fair value is determined by the price observed in those markets; and for instruments whose market price is not available but that of its components is, the fair value will be determined based on the relevant market prices of such components.

Level 2:

For instruments quoted in non-active markets, the fair value is determined by valuation techniques or models that mostly uses data from the market and minimizing the use of data calculated internally.

Level 3:

For unquoted instruments, fair value is determined using valuation techniques or models.

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Notes to the consolidated financial statements (continued)

The fair value of held-for-trading and available-for-sale investments has been determined based on their market prices or the quotations of the underlying assets (sovereign risk rates) on the date of the consolidated financial statements.

In the case of derivatives, their fair value is determined through the use of valuation techniques.

Carrying amount and fair value of financial assets and liabilities:

Taking into account fair value considerations and the Official Letter 43078-2014-SBS, in which the SBS determined that fair value corresponds to the carrying amount in the case of loans and deposits, as of December 31, 2023 and 2022, the carrying amounts and fair values of the Bank's financial assets and liabilities are presented as follows:

	Carrying amount		Fair value	
	2023	2022	2023	2022
	S/(000)	S/(000)	S/(000)	S/(000)
Assets				
Cash and due from banks	9,431,609	12,145,003	9,431,609	12,145,003
Interbank funds	17,009	-	17,009	-
Investments at fair value through profit or loss and investment available-for-sale	15,148,595	11,591,723	15,148,595	11,591,723
Loan portfolio	70,647,238	69,122,387	70,647,238	69,122,387
Trading derivatives	1,237,496	1,349,619	1,237,496	1,349,619
Hedging derivatives	-	3,659	-	3,659
Accounts receivable, note 11	130,068	45,795	130,068	45,795
Other assets, note 11	4,319,735	976,762	4,319,735	976,762
Total	100,931,750	95,234,948	100,931,750	95,234,948
Liabilities				
Obligations with the public and deposits from financial institutions	70,726,777	66,901,546	70,726,777	66,901,546
Interbank funds	378,451	-	378,451	-
Debts and financial obligations	5,907,327	4,036,978	5,931,770	3,943,359
Trading derivatives	1,076,972	1,245,843	1,076,972	1,245,843
Hedging derivatives	93,486	103,628	93,486	103,628
Accounts payable, note 14	8,739,882	12,287,242	8,739,882	12,287,242
Total	86,922,895	84,575,237	86,947,338	84,481,618

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Notes to the consolidated financial statements (continued)

Assets and liabilities recorded at fair value according to the hierarchy level are presented as follows:

	2023				2022			
	Fair value S/(000)	Level 1 S/(000)	Level 2 S/(000)	Level 3 S/(000)	Fair value S/(000)	Level 1 S/(000)	Level 2 S/(000)	Level 3 S/(000)
Assets								
Investments at fair value through profit or loss								
Debt instruments	4,387,392	692,675	3,694,717	-	3,278,859	316,774	2,962,085	-
Available-for-sale investments								
Instruments representing capital	22,872	22,872	-	-	30,639	30,639	-	-
Instruments representing debt	10,737,210	7,438,877	3,298,333	-	8,281,104	4,307,377	3,973,727	-
Trading derivatives	1,237,496	-	1,237,496	-	1,349,619	-	1,349,619	-
Hedging derivatives	-	-	-	-	3,659	-	3,659	-
	<u>16,384,970</u>	<u>8,154,424</u>	<u>8,230,546</u>	<u>-</u>	<u>12,943,880</u>	<u>4,654,790</u>	<u>8,289,090</u>	<u>-</u>
Liabilities								
Borrowings and financial obligations	1,124,258	-	1,124,258	-	1,845,663	-	1,845,663	-
Trading derivatives	1,076,972	-	1,076,972	-	1,245,843	-	1,245,843	-
Hedging derivatives	93,486	-	93,486	-	103,628	-	103,628	-
	<u>2,294,716</u>	<u>-</u>	<u>2,294,716</u>	<u>-</u>	<u>3,195,134</u>	<u>-</u>	<u>3,195,134</u>	<u>-</u>

Notes to the consolidated financial statements (continued)

Description of the valuation techniques for instruments recorded at fair value

Level 2		Valuation technique / Hypothesis	Main inputs used
Fixed and variable income		Fixed income: Present value of cash flows from bonds (coupons and face value): $Price_{bond} = \sum_{n=1}^N \frac{Coupon}{(1 + YTM)^n} + \frac{Face\ value}{(1 + YTM)^N}$	– Fixed income: Bond information (coupon rate, coupons payment frequency, face value) – Yield to Maturity (YTM): Obtained from operations traded in Datatec so that the transaction is greater than or equal to S/2 million (internally defined condition). – Variable income: closing price of Bloomberg, Reuters or the Lima Stock Exchange website.
		These cash flows are discounted at Yield to Maturity (YTM) Variable income: The closing price is taken from a public source of information (Price Vendors). Does not have trading portfolio of variable income.	
Derivatives	(a) Forwards, IRS and CCS	Calculation of the present value of each component of the derivative (fixed/variable) considering the market interest rates and converting into soles at the exchange rate of that day (if necessary). It takes into account the variable flows (if any), flow projection, discount curves for each underlying, and current market interest rates.	– Forward points. – Fixed vs variable price. – Closing exchange rates. – Market interest rate curves.
	(b) Options	For options on shares, currency and raw materials The hypothesis derived from the use of the Black-Scholes model takes into account the possible adjustments to convexity. For derivatives on interest rates The hypothesis derived from the use of the Black-Scholes assumes a lognormal process of forward rates and model takes into account the possible adjustment to convexity.	Derivatives on shares, currency and raw materials – Forward structure of the underlying. – Volatility of options. – Observable correlations between the underlyings. Derivatives on interest rates – Term structure of interest rate curve. – Volatility of the underlying.

Translation of financial statements originally issued in Spanish - Note 32

Notes to the consolidated financial statements (continued)

31. Subsequent events

The Bank is not aware of any subsequent events occurring between the closing date of these consolidated financial statements and the authorization date for their issuance, which may affect them significantly.

32. Additional explanation for English translation

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



Constancia de Habilitación

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

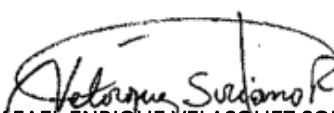
TANAKA VALDIVIA & ASOCIADOS SOCIEDAD CIVIL DE RESPONSABILIDAD LIMITADA

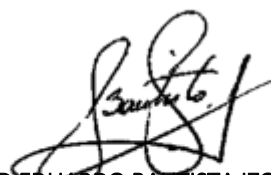
N.º MATRICULA: S0761

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

Esta constancia tiene vigencia hasta el 31 DICIEMBRE 2024.

Lima, 20 DE JULIO 2023.


CPC. RAFAEL ENRIQUE VELASQUEZ SORIANO
DECANO


CPC. DAVID EDUARDO BAUTISTA IZQUIERDO
DIRECTOR SECRETARIO



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Banco BBVA Perú and Subsidiaries

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



Translation of independent auditor's report and financial statements originally issued in Spanish - Note 32

Banco BBVA Perú and Subsidiaries

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

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Independent Auditor's Report

To the Shareholders of Banco BBVA Perú and Subsidiaries

Opinion

We have audited the consolidated financial statements of Banco BBVA Perú (a subsidiary of BBVA Perú Holding S.A.C., an entity incorporated in Peru, hereinafter "the Bank") and Subsidiaries, comprising the consolidated statement of financial position as of December 31, 2022, and the consolidated statement of income, comprehensive income, changes in equity and cash flows for the year then ended; as well as the explanatory notes to the financial statements, which include a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Banco BBVA Perú and Subsidiaries as of December 31, 2022, as well as its consolidated financial performance and cash flows for the year then ended, in accordance with the accounting standards established by the Superintendence of Banking, Insurance and Private Pension Funds Administrators ("SBS", by its Spanish acronym) for Peruvian financial entities, see note 3.

Basis of the opinion

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

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Independent Auditor's Report (continued)

Key Audit Matters

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

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

Key Audit Matter	Audit response
Estimation of the provision for the non-retail loan portfolio under the regulations of the Superintendence of Banking, Insurance and Private Pension Funds Administrators ("SBS", by its Spanish acronym)	
As described in note 3(d) to the consolidated financial statements, the estimate of the provision for the non-retail loan portfolio is determined following the methodology defined by the SBS, which establishes the specific percentages for the calculation of the provision, which depend on the credit classification of the debtor. To define the debtor's credit rating, the Bank, among other relevant factors, considers: The debtor's payment experience, the history of commercial relations with the debtor's management, the history of operations, the debtor's ability to pay and availability of funds, the situations of collaterals and guarantees received, the analysis of the financial statements of the	We gained an understanding, evaluated the design and tested the operational effectiveness of the controls of the estimation of the provision for non-retail loan portfolio under the SBS standards, which included: - Methodology and criteria established for the calculation according to SBS required regulations. - Integrity and accuracy of the database in the Bank's systems. - Credit classification of non-retail loan portfolio, considering the Bank's methodology and SBS requirements. - Review of the calculation of the estimation of the provision for the non-retail loan portfolio in the Bank's systems.

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Independent Auditor's Report (continued)

debtor, the risk of the debtor in other financial institutions in the market.

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

- Disclosure in the notes to the consolidated financial statements.

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

- We assessed whether the accounting policies defined by the Bank are coherent with SBS requirements.
- We tested the integrity and accuracy of the data used in the provision calculation.
- We inspected in a selective manner the credit classification of the debtor, assessing the reasonability of Management's most relevant assumptions.
- We perform a recalculation of the estimate of the non-retail loan portfolio provision.
- We evaluated the adequacy of disclosures in the notes to the financial statements.

Information Technology (IT) Environment

The Bank's activities depend to a large extent on the efficient and continuous operation of information technology systems and technology infrastructures, which encompass a large number of IT applications and systems for the processing of all its operations (with significant volumes), accounting records and preparation of the consolidated financial statements.

The Bank's IT system consists of a set of complex computer applications, essential in the Bank's various business operations. IT environment controls include: IT governance, overall IT controls over program development

Assisted by our Information Technology (IT) specialists, our audit efforts focused on the Bank's key systems, carrying out, among others, the following procedures:

- We evaluated and tested overall IT controls by performing: an understanding of IT governance, reviewing key (including compensatory) controls over application and data access management, application changes and developments, and IT operations.

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Independent Auditor's Report (continued)

and changes, access to programs and data, and IT operations, therefore, such controls must be designed and operated effectively with the aim of ensuring the integrity of accurate accounting records and financial reports, in this way mitigate the potential risk of fraud or error. As same of importance are executed calculations of systems, other IT application controls, and interfaces between IT systems.

Therefore, we consider the information technology environment as a key issue, given that the reliability and security of IT systems plays a fundamental role in ensuring the correct treatment of data processing, accounting records and preparation of financial statements.

- We tested application controls, considering the design and operational effectiveness of critical automated controls to data processing, accounting records and the preparation of the financial statement. With respect to identified control deficiencies, we tested the design and operational effectiveness of compensation controls.

Other information included in the Bank's 2022 Annual Report

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

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

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

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Independent Auditor's Report (continued)

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

Management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with the accounting standards established by the Superintendence of Banking, Insurance and Private Pension Funds Administrators ("SBS", by its Spanish acronym) for financial entities in Peru, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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Independent Auditor's Report (continued)

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

- We identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and execute audit procedures that respond to those risks, and obtain audit evidence that is sufficient and appropriate to provide us with a basis for our opinion. The risk of not detecting a material misstatement due to fraud is greater than that resulting from an error, as fraud may involve collusion, falsification, intentional omissions, misrepresentations or overstepping the internal control system.
- We gained an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Bank and its Subsidiaries.
- We evaluate the adequacy of the accounting policies used, the reasonableness of the accounting estimates and the respective disclosures made by Management.
- We conclude on the suitability of Management's use of the going concern basis and, based on the audit evidence obtained, whether there is material uncertainty related to events or conditions that may raise significant doubts about the Bank and its Subsidiaries ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our audit report to disclosures relating to the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Conclusions are based on audit evidence obtained to date from our audit report. However, future events or conditions may cause the Bank and its Subsidiaries to cease to continue as a going concern.
- We evaluate the overall presentation, structure, content of the consolidated financial statements, including disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

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

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Independent Auditor's Report (continued)

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

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

Other issues

The consolidated financial statements as of December 31, 2021 and for the year ended on that date before the reclassifications mentioned in the note 2(h), were audited by other independent auditors who, on February 23, 2022, issued an unqualified opinion.

Lima, Peru
February 23, 2023

Tanaka, Valdivia & Asociados

Countersigned by:



Sandra Luna Victoria Alva
Partner
C.P.C.C. Register No. 50093

Translation of financial statements originally issued in Spanish - Note 32

Banco BBVA Perú and Subsidiaries

Consolidated statement of financial position

As of December 31, 2022 and 2021

	Note	2022 S/(000)	2021 S/(000)
Assets			
Cash and due from banks	5	12,145,003	16,295,026
Investments at fair value through profit or loss and available-for-sale investments	6	11,591,723	9,760,611
Loan portfolio, net	7	69,122,387	70,433,581
Held-for-trading instrument	8	1,349,619	1,767,732
Hedging instruments	8	3,659	75,805
Realizable, received as payment and repossessed assets		67,873	43,916
Non-current assets held for sale		86,007	85,870
Interests in associates	9	12,148	12,999
Property, furniture and equipment, net	10	1,077,726	1,071,479
Deferred income tax	24	774,048	710,091
Other assets, net	11	1,815,253	1,238,645
Total assets		<u>98,045,446</u>	<u>101,495,755</u>
Contingent risks and commitments	16	<u>36,240,066</u>	<u>32,296,585</u>
Equity and liabilities			
Liabilities			
Deposits and obligations with the public and financial institutions	12	66,901,546	64,088,148
Debts and financial obligations	13	4,036,978	6,840,555
Held-for-trading instruments	8	1,245,843	1,572,020
Hedging instruments	8	103,628	35,059
Accounts payable, provisions and other liabilities	14	14,504,077	18,791,244
Total liabilities		<u>86,792,072</u>	<u>91,327,026</u>
Equity	15		
Share capital		7,382,184	6,758,467
Reserves		2,053,490	1,896,680
Unrealized gains or losses		(91,052)	(32,704)
Retained earnings		1,908,752	1,546,286
Total equity		<u>11,253,374</u>	<u>10,168,729</u>
Total equity and liabilities		<u>98,045,446</u>	<u>101,495,755</u>
Contingent risks and commitments	16	<u>36,240,066</u>	<u>32,296,585</u>

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

Translation of financial statements originally issued in Spanish - Note 32

Banco BBVA Perú and Subsidiaries

Consolidated statement income

For the years ended December 31, 2022 and 2021

	Note	2022 S/(000)	2021 S/(000)
Interest income	17	5,739,163	4,273,516
Interest expense	18	(1,125,846)	(634,973)
Gross financial margin		<u>4,613,317</u>	<u>3,638,543</u>
Provision for direct loans, net of recoveries		(984,612)	(752,691)
Net financial margin		<u>3,628,705</u>	<u>2,885,852</u>
Income from financial services, net	19	<u>893,408</u>	<u>873,397</u>
Financial margin net of income and expenses for financial services		<u>4,522,113</u>	<u>3,759,249</u>
Profit or loss from financial transactions	20	<u>620,496</u>	<u>672,388</u>
Operating margin		<u>5,142,609</u>	<u>4,431,637</u>
Administrative expenses	21	(2,146,352)	(1,805,002)
Depreciation and amortization		(209,980)	(194,623)
Net operating margin		<u>2,786,277</u>	<u>2,432,012</u>
Valuation of assets and provisions		(124,661)	(168,985)
Operating profit or loss		<u>2,661,616</u>	<u>2,263,027</u>
Other expenses, net	22	<u>14,006</u>	<u>(10,805)</u>
Profit before income tax		<u>2,675,622</u>	<u>2,252,222</u>
Income tax	23	(753,863)	(691,722)
Net profit		<u>1,921,759</u>	<u>1,560,500</u>
Basic and diluted earnings per share in soles	25	<u>0.2603</u>	<u>0.2114</u>
Weighted average number of outstanding shares (in thousands of shares)	25	<u>7,382,184</u>	<u>7,382,184</u>

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

Translation of financial statements originally issued in Spanish - Note 32

Banco BBVA Perú and Subsidiaries

Consolidated statement of other comprehensive income

For the years ended December 31, 2022 y de 2021

	2022 S/(000)	2021 S/(000)
Net profit	1,921,759	1,560,500
Other comprehensive income:		
Unrealized gain (loss) on available-for-sale investments	(40,995)	(152,436)
Unrealized gain (loss) on cash flow hedges	(30,095)	(15,251)
Interests in other comprehensive income of associates	(109)	173
Unrealized gains on actuarial liabilities	846	15,566
Income tax on items of other comprehensive income	12,005	96
Other comprehensive income for the period, net of income tax	<u>(58,348)</u>	<u>(151,852)</u>
Total comprehensive income for the year	<u>1,863,411</u>	<u>1,408,648</u>

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

Translation of financial statements originally issued in Spanish - Note 32

Banco BBVA Perú and Subsidiaries

Consolidated statement of changes in equity

For the years ended December 31, 2022 and 2021

	Number of shares in thousands (note 15(b))	Capital stock (note 15(b)) S/(000)	Legal reserve (note 15(c)) S/(000)	Unrealized gains (note 15(d)) S/(000)	Retained earnings (note 15(e)) S/(000)	Total equity S/(000)
Balance as of January 1, 2021	6,529,169	6,529,169	1,831,131	119,148	882,408	9,361,856
Net profit	-	-	-	-	1,560,500	1,560,500
Other comprehensive income						
Unrealized gains on available-for-sale investments	-	-	-	(152,247)	-	(152,247)
Unrealized gains on cash flow hedges	-	-	-	(10,752)	-	(10,752)
Unrealized gains on interests in other comprehensive income of associates	-	-	-	173	-	173
Unrealized gains on actuarial liabilities	-	-	-	10,974	-	10,974
Total comprehensive income for the year	-	-	-	(151,852)	1,560,500	1,408,648
Changes in equity (not included in comprehensive income):						
Dividends	-	-	-	-	(601,810)	(601,810)
Capitalization of retained earnings, note 15(b)	229,298	229,298	-	-	(229,298)	-
Additions to reserves and other movements, note 15(c)	-	-	65,549	-	(65,514)	35
Balance as of December 31, 2021	<u>6,758,467</u>	<u>6,758,467</u>	<u>1,896,680</u>	<u>(32,704)</u>	<u>1,546,286</u>	<u>10,168,729</u>
Net profit	-	-	-	-	1,921,759	1,921,759
Other comprehensive income						
Unrealized loss on available-for-sale investments	-	-	-	(37,618)	-	(37,618)
Unrealized loss on cash flow hedges	-	-	-	(21,217)	-	(21,217)
Unrealized gains on interests in other comprehensive income of associates	-	-	-	(109)	-	(109)
Unrealized gains on actuarial liabilities	-	-	-	596	-	596
Total comprehensive income for the year	-	-	-	(58,348)	1,921,759	1,863,411
Changes in equity (not included in comprehensive income)						
Dividends	-	-	-	-	(779,647)	(779,647)
Capitalization of retained earnings, note 15(b)	623,717	623,717	-	-	(623,717)	-
Additions to reserves and other movements, note 15(c)	-	-	156,810	-	(155,929)	881
Balance as of December 31, 2022	<u>7,382,184</u>	<u>7,382,184</u>	<u>2,053,490</u>	<u>(91,052)</u>	<u>1,908,752</u>	<u>11,253,374</u>

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

Translation of financial statements originally issued in Spanish - Note 32

Banco BBVA Perú and Subsidiaries

Consolidated statement of cash flows

For the years ended December 31, 2022 and 2021

	2022 S/(000)	2021 S/(000)
Reconciliation of the net profit to cash and flows from operating activities		
Net profit	1,921,759	1,560,500
Adjustments	1,885,532	2,136,980
Depreciation and amortization	209,980	194,623
Impairment of property, furniture and equipment, and intangible assets	48,400	50,946
(Reversal of an impairment loss) Impairment of available-for-sale investments and goodwill	267	(2,633)
Provisions	1,060,606	873,364
Other adjustments	566,279	1,020,680
Net changes in assets and liabilities	(708,401)	(13,872,603)
Loan portfolio	(357,317)	(2,820,337)
Available-for-sale investments	(148,457)	(1,932,546)
Accounts receivable and others	(30,575)	575,342
Unsubordinated financial liabilities	4,260,211	(11,155,468)
Accounts payable and others	(4,432,263)	1,460,406
Profit or loss for the period after net changes in assets, liabilities and adjustments	3,098,890	(10,175,123)
Paid tax	(992,850)	(871,516)
Net cash and cash equivalents from operating activities	2,106,040	(11,046,639)
Cash flows from investing activities:		
Purchases of interests	(153)	-
Acquisition of intangible assets and property, furniture, and equipment	(323,593)	(337,421)
Other cash inflows from investing activities	239,078	105,919
Net cash and cash equivalents used in investing activities	(84,668)	(231,502)

Translation of financial statements originally issued in Spanish -
Note 32

Consolidated statement of cash flows (continued)

	2022 S/(000)	2021 S/(000)
Cash flows from financing activities		
Cash inflows for issuance of subordinated financial liabilities	-	729,800
Cash outflows for redemption of subordinated financial liabilities	(78,190)	-
Cash paid for dividends	(778,101)	(601,232)
Other cash inflows from financing activities	796,200	192,900
Other cash outflows from financing activities	(3,574,144)	(1,451,913)
Net cash and cash equivalents used in financing activities	<u>(3,634,235)</u>	<u>(1,130,445)</u>
Net increase (decrease) in cash and cash equivalents before effects of exchange rate fluctuations	(1,612,863)	(12,408,586)
Effects of changes in exchange rates on cash and cash equivalents	(624,138)	963,642
Net decrease in cash and cash equivalents	(2,237,001)	(11,444,944)
Cash and cash equivalents at the beginning of the year	19,820,752	31,265,696
Cash and cash equivalents at the end of the year	<u>17,583,751</u>	<u>19,820,752</u>
Guarantee funds	699,639	843,075
Investment with maturities of less than 90 days	(6,138,387)	(4,368,801)
Cash according to the statement of financial position	<u>12,145,003</u>	<u>16,295,026</u>

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

Translation of financial statements originally issued in Spanish - Note 32

Banco BBVA Perú and Subsidiaries

Notes to the consolidated financial statements

December 31, 2022 and 2021

1. Operations

(a) Background and economic activity -

Banco BBVA Perú (hereinafter the Bank) is a subsidiary of BBVA Perú Holding S.A.C., which holds 46.12% of its share capital as of December 31, 2022 and 2021. The Bank Bilbao Vizcaya Argentaria S.A. (hereinafter BBVA S.A.) holds 100% of the shares of BBVA Perú Holding S.A.C.

The Bank is a closely held corporation incorporated in 1951 and is authorized to operate as a banking institution by the Peruvian banking, insurance and pension plan regulator, Superintendence of Banking, Insurance and Private Pension Funds Administrators (henceforth "SBS", by its Spanish acronym).

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

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

The Bank holds 100% of the share capital with voting rights over its subsidiaries: BBVA Bolsa Sociedad Agente de Bolsa S.A., BBVA Asset Management S.A. SAF, BBVA Sociedad Titulizadora S.A., Inmuebles y Recuperaciones BBVA S.A., BBVA Consumer Finance EDPYME in liquidation, Forum Comercializadora del Perú S.A. and Forum Distribuidora del Perú S.A. Even though the Bank does not hold share capital or voting rights over Continental DPR Finance Company (DPR), due to the characteristics of its corporate purpose and its relationship with the Bank, the accounting standards that govern the Bank require DPR's financial statements to be included on the consolidated basis with those of the Bank (all these companies including the Bank are denominated, hereinafter, BBVA Peru Group).

(b) Political juncture in Peru -

On September 7, 2022, the then-President Pedro Castillo pretended to carry out a coup and set up an Exceptional Government; however, after such a decision and announcement, the Peruvian Congress at an extraordinary meeting and under Resolution No 001-2022-2023-CR instated the permanent moral capacity of the then-President and decided to vote him out. A constitutional succession occurred accordingly, by which, the vice president, Dina Boluarte, was appointed as the new President of Peru.

Notes to the consolidated financial statements (continued)

From that date onwards, several street demonstrations and social unrest have been taking place throughout Peru, with the major demand of demonstrators being the resignation of the recently designated President and anticipated presidential elections.

Given this situation, on December 14 and 15, 2022, the Cabinet Presidency enacted supreme decrees No143-2022-PCM and No144-2022-PCM, setting up a 30-day National Emergency, during which, constitutional rights were suspended relating to the inviolability of domicile, freedom of movement nationwide, freedom of assembly and personal security freedom; and also a mandatory social confinement for 5 days nationwide.

Subsequently, by means of Supreme Decree No 009-2023-PMC, enacted on January 14, 2023, the National Emergency was amended and only a number of provinces of Peru were then included as part of the new National Emergency for 30 more days.

In this context, dated December 22, 2022 the SBS issued a communication called Oficio Múltiple No 54961-2022-SBS to empower financial institutions to reschedule the debt of its retail customers that were affected by the social unrest widespread in Peru since December 2022, see further detail in note 2(f).

The Bank has assessed and will continue to monitor the potential implications of the ongoing conditions and the measures that are to be taken by the Peruvian Government and the SBS.

(c) National State of Emergency (Covid-19 pandemics) -

On March 2020, the World Health Organization (WHO) declared a pandemic due to the coronavirus disease (COVID-19), and recommended contention and mitigation measurements worldwide. On March 15, 2020, the Peruvian government declared, through Supreme Decree, a national state of emergency due to the serious circumstances affecting people's life as a result of the COVID-19 outbreak. In October 2022, the Peruvian officially ended the National Emergency by means of Supreme Decree No 130-2022-PCM.

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

Since the beginning of the pandemic, the Bank carried out a number of contingency actions, which led to the creation of a multidisciplinary team in charge of designing and implementing the strategy to cope with the health crisis, whose main objective was to protect the health of employees and customers throughout Peru.

Notes to the consolidated financial statements (continued)

For this purpose, this multidisciplinary team designed a health strategy, comprehensive infrastructure implementation and management of the use of offices, faced to the new reality arising from the pandemic. Likewise, remote working was implemented for the employees of the business core areas, as well as for the employees considered vulnerable population due to any preexisting health conditions.

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

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

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

At the reporting date, the hybrid work mode is kept for workers at the headquarters; in addition, an intensive communication campaign was launched regarding the new work spaces and services at the head office, as well as the deployment of prime bio sanitary measures such as: setting up thermal imaging cameras and secured social distancing of two (2) meters.

In coping with the Covid-19 pandemic, the Peruvian Government, the Ministry of Economy and Finance, the Bank Reserve Central Bank of Peru and the banking regulator, SBS, set a number of exceptional measures; see further detail in note 2(f).

(d) Approval of the consolidated financial statements

The consolidated financial statements as of December 31, 2022 were approved by management on February 23, 2023 and will be submitted for approval to the Board of Directors and General Shareholder's Meeting within the terms established by Law. In management's opinion, the Board of Directors and the General Shareholder's Meeting will approve the accompanying consolidated financial statements without amendments. The General Shareholders' Meeting, held March 31, 2022, approved the consolidated financial statements as of December 31, 2021.

Notes to the consolidated financial statements (continued)

2. Basis of Preparation of the Consolidated Financial Statements

(a) Statement of compliance

The consolidated financial statements are prepared and presented in accordance with the accounting standards established by the Superintendence of Banking, Insurance and Private Pension Funds Administrators ("SBS", by its Spanish acronym) for financial entities in Peru. Those standards are contained in the Accounting Manual for Financial Institutions (hereinafter the Accounting Manual) approved by SBS Resolution 895-98 on September 1, 1998 and effective January 1, 2001, including supplemental standards and amendments.

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

(b) Basis of consolidation -

The consolidated financial statements include the financial statements of entities that are part of the BBVA Peru Group, described in note 1.B, from the date control is obtained over those entities. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Particularly, the Bank controls an investee if and only if it has all the following:

- Power over the investee; that is, the investor has existing rights that give it the current ability to direct the relevant activities,
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect the amount of the investor's returns.

In general, it is presumed that majority voting rights or similar rights in the investee grants control over the investee. The Bank considers all facts and circumstances when assessing whether it controls an investee, including:

- The contractual arrangement between the Bank and other voting right or similar right holders of the investee's.
- Rights arising from other contractual arrangements.
- The investor's voting rights, its potential voting rights and a combination of both.

The Bank reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the above-indicated three elements of control. Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. They are deconsolidated from the date that control ceases. Consolidated financial statements include the assets, liabilities, revenue and expenses of the Bank and its subsidiaries.

Translation of financial statements originally issued in Spanish - Note 32

Notes to the consolidated financial statements (continued)

Income for the period and each component of other comprehensive income are attributable to the owners of the controlling interest and to the share of non-controlling interests, even if this results in non-controlling interest with a negative balance. Adjustments are made to the financial statements of subsidiaries, when necessary, to align their accounting policies with those of the Bank.

All assets, liabilities, equity, revenue, expenses and cash flows related to transactions between entities that are consolidated by the Bank are eliminated in whole.

Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are equity transactions.

If the Bank ceases to have control over a subsidiary the related assets are derecognized (including goodwill), liabilities, non-controlling interest and other equity components, while any resulting profit or loss is stated in the consolidated statement of income. Any interest held in an investee is recognized at fair value.

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Notes to the consolidated financial statements (continued)

Subsidiaries are all the entities over which the Bank has the power to govern its operating and financial policies. The consolidation ends at the date in which the Bank loses the control over them.

As of December 31, main balances of the BBVA Peru Group are the following:

In millions of soles	Assets		Liabilities		Equity	
	2022 S/(000)	2021 S/(000)	2022 S/(000)	2021 S/(000)	2022 S/(000)	2021 S/(000)
Entity						
Banco BBVA Perú S. A.	98,156	101,645	86,899	91,463	11,257	10,182
BBVA Bolsa Sociedad Agente de Bolsa S.A.(i)	86	54	68	35	19	19
BBVA Asset Management S.A. SAF (ii)	30	39	2	2	28	37
BBVA Sociedad Titulizadora S.A. (iii)	6	6	1	1	5	5
Inmuebles y Recuperaciones BBVA S.A. (iv)	183	184	121	3	62	181
Continental DPR Finance Company (v)	-	47	-	47	-	-
BBVA Consumer Finance Edpyme en liquidación (vi)	21	120	5	16	16	104
Forum Comercializadora S.A. (vii)	2	2	-	-	2	2
Forum Distribuidora S.A. (viii)	106	163	75	136	31	27

- (i) BBVA Bolsa Sociedad Agente de Bolsa S.A. (hereinafter Sociedad Agente de Bolsa) is a subsidiary of the Bank, in which it owns 100% of the shares with voting rights representing its share capital. Sociedad Agente de Bolsa is engaged in the intermediation of securities, mainly comprising purchase and sale of securities by orders of customers (owners of contract), as well as rendering advisory and information services to investors. Likewise, Sociedad Agente de Bolsa can carry out operations and services inherent to the brokerage activity in the stock market, authorized by the Superintendence of Securities Market (SMV, for its Spanish acronym).
- (ii) BBVA Asset Management S.A. Sociedad Administradora de Fondos (hereinafter Sociedad Administradora) is a subsidiary of the Bank, in which it owns 100% of the shares with voting rights representing its share capital. Sociedad Administradora is engaged in management of mutual and investment funds authorized to operate by the SMV, as well as acquisition and sale of securities. As of December 31, 2022, it manages 25 mutual funds of investments in securities, 2 private investment funds and 1 public investment fund (2021: 22 mutual funds of investments in securities, 2 private investment funds and 1 public investment fund).
- (iii) BBVA Sociedad Titulizadora S.A. (hereinafter Sociedad Titulizadora) is a subsidiary of the Bank, in which it owns 100% of its shares with voting rights representing its share capital. Sociedad Titulizadora is dedicated to the function of trustee in securitization processes, as well as to acquire assets in order to establish trust funds that support the issuance of credit-bearing securities. As of December 31, 2022 and 2021, Sociedad Titulizadora manages the assets in 12 trust funds.
- (iv) Inmuebles y Recuperaciones BBVA S.A. (hereinafter IRBSA) is a subsidiary of the Bank, in which it owns 100% of the shares with voting rights representing its share capital. IRBSA is engaged to the trade of personal and real state property for its own use or for third parties, through the acquisition, sale, lease, import and export of such properties; as well as any other related activity, without any limitation. Likewise, IRBSA provides management services for the Bank's health care program.
- (v) Continental DPR Finance Company is a society created for the special purpose stated in note 13(d)(iii) (securitization of remittances from abroad).
- (vi) BBVA Consumer Finance Edpyme in liquidation, is a subsidiary of the Bank, in which it owns 100% of the shares with voting rights representing its share capital and is currently undergoing liquidation and wind-up.
- (vii) Forum Comercializadora del Perú S.A. is a subsidiary of the Bank, in which it owns 100% of the shares with voting rights representing its share capital. Forum Comercializadora del Perú S.A. is engaged to financing motor vehicles, wholesale or retail, to take them or give them in financial lease.

On October 28, 2022, the decision was made at the General Shareholders' Meeting of Forum Comercializadora del Perú S.A. to the voluntary liquidation and wind-up.

- (viii) Forum Distribuidora del Perú S.A. is a subsidiary of the Bank, in which it owns 100% of the shares with voting rights representing its share capital. Forum Distribuidora del Perú S.A. is engaged to direct and indirect financing for motor vehicle dealerships; including to trade, acquire and sell motor vehicles, on credit or cash, wholesale or retail, and take or give them in lease, assignment in use or any other modality allowed by Peruvian laws.

Notes to the consolidated financial statements (continued)

(c) Basis of measurement -

The Consolidated financial statements were prepared in Peruvian soles based on the accounting records of the Bank under the historical cost principles, except for derivatives, financial instruments at fair value through profit or loss and the available-for-sale financial assets that are measured at fair value.

(d) Functional and presentation currency -

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

(e) Use of judgments and estimates -

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. The accounting estimates and underlying judgments used are reviewed on an ongoing basis.

Adjustments resulting from the review of accounting estimates are recognized prospectively, recording the effect in the consolidated statement of profit or loss, at the year in which the revision is made.

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

- Determination of the fair value of investments (notes 3(c) and 30).
- Accounted investments using the equity method (notes 3(d) and 9).
- Provisions for loan losses (notes 3(e) and 7).
- Provision for realizable, received as payment, and repossessed assets (note 3(g)).
- Provision for fringe benefits of the employees (note 3(m)).
- Useful life of property, furniture and equipment and intangible assets (notes 3(f), 3(i), 10 and 11).
- Provision for income tax (notes 3(p) and 23).
- Deferred tax (notes 3(p) and 24).
- Determination of the fair value of derivative instruments (notes 3(b) and 30).
- Impairment of non-financial assets (note 3(h)).
- Goodwill (note 3(j)).
- Provision for contingencies (note 3(n)(i))

Notes to the consolidated financial statements (continued)

- (f) Major pronouncements issued by the SBS and the Government with an impact on the financial system -

As stated in note 1(b), in coping with the political juncture in Peru, the SBS issued a formal communication (Oficio Múltiple N°54961-2022-SBS) dated December 22, 2022 by which financial institutions were entitled to reschedule the retail customers who were affected by the social unrest occurring in Peru since December 2022. To be eligible for these loan rescheduling, a customer shall meet the following conditions: being under the classification of Normal or With Potential Problems (CPP), shall not have delays of more than 30 days and the rescheduled due date shall not be for more than two months.

As of December 31, 2022, the Bank has not performed debt rescheduling involving debtors that were affected by the social unrest; however, at the reporting date, the Bank is assessing the need to grant this type of rescheduling to customers who need to do so.

On the other hand, as described in Note 1(c), because of the Covid-19 pandemic, the Peruvian government, the Ministry of Economy and Finance, the Peruvian Central Reserve Bank and the SBS issued the following regulations involving exceptional measures for the economic reactivation of the country, as detailed below:

Translation of financial statements originally issued in Spanish - Note 32

Notes to the consolidated financial statements (continued)

No	Programs / Measures	Legal basis	Short description of programs / measures	Impact on the Bank
(i)	Loan rescheduling	Official letter No10997-2020-SBS, No11150-2020-SBS, N°11170-2020-SBS, No12679-2020-SBS, No13195-2020-SBS, N°13805-2020-SBS y No14355-2020-SBS and No15944-2020-SBS. Issued between March and July 2020	These official letters set exceptional measures applicable to the loan portfolio, intended to make debt repayment easier for customers of financial institutions that were affected by the restrictive measures taken by the Peruvian Government due to the Covid-19 pandemic. At the reporting date, these official letters are no longer effective.	As of December 31, 2022 and 2021 the balance of rescheduled loans under these official letters was approximately S/593 million and S/1,518 million, respectively.
		Official letters No13613-2021-SBS and No6302-2021-SBS. Issued from February and March 2021.	Per these Official letters, the SBS entitled financial institutions to reschedule loans to their customers over 2021.	
(ii)	Additional provisions for rescheduled loans	SBS resolution No3155-2020 dated December 17, 2020	Under this resolution, for loans rescheduled due to the Covid-19 pandemic, debtors with a rating of Normal are to be considered debtors with a higher credit risk, above Normal, that is, equivalent to a credit risk rated as With Potential Problems (CPP). For the latter loans, specific provisions required for the CPP loans need to be made, as applicable to consumer loans microbusiness and small entities.	As of December 31, 2022 and 2021 the Bank recorded provisions for rescheduled loans of debtors rated as Normal, CPP and Substandard for around S/7 million and S/49 million, respectively.
		SBS resolution No3922-2021 dated December 23, 2021	Subsequently, the SBS set the requirement that for those loans that were rescheduled because of the Covid-19 pandemic, and accounted for as such, the financial institutions shall record additional provisions, as if they had a worse credit rating.	
(iii)	Reactiva Perú economic relief program	Legislative Decree N° 1455-2020 dated April 6, 2020	Instated with the following objectives: - Respond to the liquidity needs faced by companies in the context of the COVID-19 pandemic. - Asegurar la continuidad en la cadena de pagos.	As of December 31, 2022 and 2021, the Bank holds "Reactiva Perú" loans for around S/5,801 million and S/11,511 million, note 7(c). The amounts secured by the Peruvian Government totaled S/5,296 million and S/10,485 million, respectively.
	Reactiva Perú Up until November 30, 2020	Ministry Resolution No 134-2020-EF dated April 13, 2020	Using this program, the Government grant guarantees to back entities so they can obtain working capital credit facilities and meet their short-term obligations with workers and suppliers of goods and services. Guarantee range from 80% and 98% of the loan amount, which is a maximum of S/ 10 million per customer, which is determined based on the total sales. Additionally, the Bank obtains the resources to grant these loans based on its repo transactions with the Peruvian Central Reserve Bank (hereinafter BCRP), for the secured portion of the loan.	As of December 31, 2022 and 2021, the rescheduled loans including those obtained in the context of the health emergency and those under the Reactiva program totaled S/4,115 million and S/5,939 million, respectively, note 7(c)
	Reactiva Perú reschedulings Up to December 31, 2021	Emergency Decree N° 026-2021 dated March 6, 2021 Emergency Decree No 091-2021 September 30, 2021	The Peruvian Government has ordered that loans granted under the Reactiva Perú program can be eligible for rescheduling, provided that they meet the requirement set by the applicable standards (mainly involving a decrease in sales). Loan rescheduling can be provided with Bank´s or BCRP´s funding. If Bank´s funding is used, the interest rate can be raised up to 25 basis points. The due dates set for customers to be able to obtain loan rescheduling expired on September 30, 2021. However, an extension was ordered for loans secured by this program were eligible for loan rescheduling until December 31, 2021.	
	New REACTIVA rescheduling Up to December 31, 2022	Emergency Decree No 011- 2022 May 13, 2022 Emergency Decree No 026-2022 December 27, 2022	Also, the possibility was raised for REACTIVA loans to be subject to new rescheduling up to 10 mil million. Rescheduled loans will continue to be backed by the Peruvian Government. BCRP funding will be kept up to due date of the prior rescheduled loan, at which date, will be replaced with resources of the financial system.	
			For those loans from S/ 90,001 to S/ 10 million, decrease in sales of 30% or more in 2021, as compared to 2019, should be demonstrated. An extension of the due date to apply for rescheduling of Program-backed loans was ordered. The relevant rules for operating application remains to be completed (RO) up until June 30, 2023.	

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Notes to the consolidated financial statements (continued)

No	Programs / Measures	Legal basis	Short description of programs / measures	Impact on the Bank
(iv)	Fondo Crecer Up to 2049	Legislative Decree No 1399 (September 7, 2018) Supreme Decree No 007-2019-EF (January 11, 2019)	This is a program to secured loans obtained for working capital, fixed assets and export credits intended to bolster the productive development and growth of medium-sized and small entities. The maximum amount to be secured per customer is S/10 million. Amounts secured are up to 75% for microbusiness and small entities, up to 70% for medium-sized and up to 60% for exporters.	As of December 31, 2022 and 2021, the Bank holds loans under this program for around S/133 million and S/20 million, respectively, note 7(f). The amounts secured by the Peruvian Government totaled S/86 million and S/11 million, respectively.
(v)	Repo transactipns with loan portfolio rescheduling	Circular N°0014-2020-BCRP dated April 3, 2020 Circular BCRP 0021-2020 dated June 7, 2020 Official letter No11518-2020 dated April 7, 2020 and official letters No12791-2020 dated May 8, 2020	BCRP sets the characteristics and procedures for repo transactions of the loan portfolio secured by the Peruvian Government. At the selling date, the Bank receives the local currency (the sale amount) and, at the same time, it becomes engaged to repurchase such portfolio (repo amount). BCRP will draw down 80 percent of the funds to the Bank's checking account with the BCRP and the remaining portion will be credited to restricted account also held by the Bank with the BCRP. BCRP has instated the possibility for financial institutions to obtain funding at 0.5% by means of Repo Transactions. Under this mechanism, financial system entities engage to reschedule loans to customers or portfolio bought from other financial system entities to reduce temporarily the interest rate over the period the transaction with the BCRP lasts. SBS has set the accounting model for repo transactions as well as some reporting requirements. Based on those official letters, the loan portfolio is not derecognized but provisions will continue to be made of the portfolio used in repo transaction.	As of December 31, 2022 and 2021, the Bank holds repo transaction balances involving rescheduled loan portfolio for S/4,901 million and S/4,942 million, respectively, see note 14.
(vi)	Regulatory capital (patrimonio efectivo)	SBS resolution No 1264-2020 dated March 26, 2020 Official letter No27358-2021-SBS dated June 2, 2021 Emergency Decree 003-2022 dated March 26, 2022 SBS resolution No 3921-2021 dated December 23, 2020	Under this resolution, the amended contractual conditions stated in those official letters in (i), shall not increase te regulatory capital requirement on non-revolving consumer loans and mortgage loans. Also, that resolution authorized financial entities to use the additional regulatory capital (patrimonio efectivo adicional) for the economic cycle component. Under this regulation, the regulatory capital for financial reporting from April 2021 to August 2022 of financial system entities shall be equal or above 8 percent and from September 2022 to March 2023 shall be equal or above 8.5 percent of the total risk-weighted assets and contingencies, equivalent to the sum of the regulatory capital requirement per market risk multiplied by 10, as well as the total risk-weighted assets and contingencies. Under this resolution, an amendment is made to the calculation of the additional regulatory capital requirement for market concentration, considering criteria such as sized, interconnectedness, replaceability and complexity. In addition, an adequacy period of two more years is set from December 2022.	Bank Management considers the Bank meets the requirements set by the SBS involving regulatory capital requirements (patrimonio efectivo).
(vii)	Provisions charged to equity	Official letter No42138-2020 issued on December 23, 2020	Under this official letter, financial system entities are entitled, on an exceptional basis and prior SBS authorization, to reduce its capital stock, legal reserve and/or other equity items, for the purpose of recording specific and/or generic provisions (including voluntary provisions) for its loan portfolio.	As of December 31, 2022 y de 2021, Bank Management decided not to make provisions with a charge to equity accounts.

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Notes to the consolidated financial statements (continued)

Management considers the Bank has complied with all exceptional rules and measures set forth by the Peruvian Government, the Ministry of Economy and Finance, the Peruvian Central Reserve Bank and the SBS established to cope with the Covid-19 pandemic.

(g) New International Financial Reporting Standards (IFRS) -

(i) IFRS issued and effective in Peru as of December 31, 2022:

At the date of the consolidated financial statements, the CNC has issued the following resolutions:

- Resolution No 001-2022-EF/30 issued on March 30, 2022 officially approved the amendment to IFRS 17 Insurance Contracts.
- Resolution No 002-2022-EF/30 issued on September 8, 2022, officially approved the full set of IFRS 2022 as well as the Conceptual Framework for Financial Reporting.
- Resolution No 003-2022-EF/30 issued on November 21, 2022 officially approved the technical conditions set for the application of IFRS.

Application of the above-mentioned IFRS is effective one day after the date of the resolution or subsequently as indicated in each IFRS.

In 2019 IFRS 16 "Leases" became effective to replace IAS 17 "Leases", interpretation IFRIC 4 "Determining whether an arrangement contains a lease", interpretation SIC 15 "Operating leases -incentives" and SIC 27 "Evaluating the substance of transactions involving the legal form of a lease". The SBS issued official letter No467-2019 -SBS dated January 7, 2020 setting that IFRS 16 is not applicable by entities under its supervision.

IFRS 9 "Financial instruments" became effective in 2018 replacing IAS 39 "Financial instruments: Recognition and Measurement". At the reporting date, the SBS has not amended or modified its Manual of Accounting Financial System Entities to be consistent with that standard.

(ii) IFRS issued internationally but not effective as of December 31, 2022:

The following amendments to standards and interpretations to standards have been published by the IASB and are effective for reporting periods beginning on or after January 1, 2023:

- IFRS 17 - Insurance contracts. Effective for annual periods beginning on or after January 1, 2023 or subsequently with the requirement to include comparative figures. Early application is permitted provided that IFRS 9 and IFRS 15 are also applied on the date IFRS 17 is applied for the first time.

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Notes to the consolidated financial statements (continued)

- Amendments to IAS 1 - Presentation of financial statements: Classification of liabilities as current and non-current. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and should be applied retrospectively.
- Amendments to IAS 8 - Accounting policies, changes in accounting estimates and errors: Defining accounting estimates. This amendment is effective for annual reporting periods beginning on or after January 1, 2022 and is applicable to changes in accounting policies and changes in accounting estimates occurring after the beginning of the annual reporting period. Early application is permitted as long as that fact is disclosed.
- Amendments to IAS 1 and IFRS Practice Statement 2: Accounting policy disclosures. This amendment is effective for annual periods beginning on or after January 1, 2023 and early application is permitted. Considering that the amendments to Practice Statement 2 provide non-mandatory guidance to apply the definition of material information to the accounting policies, no effective date is needed for this amendment.
- Amendments to IAS 12 "Income Tax": Deferred tax related to assets and liabilities arising from a single transaction. In May 2021, the IASB issued the amendment to IAS 12, which reduces the scope of the initial recognition under the IAS 12 exception by which an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

As indicated in note 2(a), the above-mentioned standards and interpretation in (i) and (ii) will only be applicable to the Bank on a supplemental basis, to those indicated by the SBS, when situations arise that are not addressed in the Accounting Manual. Bank Management has not determined the effect on the preparation of its consolidated financial statements because the SBS has not adopted those accounting pronouncements.

(h) Reclassifications -

Certain items of the consolidated financial statements as of December 31, 2021 have been reclassified and other minor disclosures for comparative purposes. Management considers that those reclassifications did not result in any changes in the decisions previously made based on those items. The reclassified amounts and the related accounts are summarized in the table below:

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Notes to the consolidated financial statements (continued)

Consolidated Statement of Financial Position for the year ended December 31, 2021

	Balances without reclassification S/(000)	Reclassification S/(000)	Reclassified balances S/(000)
Obligations with the public and deposits of financial institutions (Note 12)	63,939,029	149,119	64,088,148
Balances due and borrowings (Note 13)	6,989,674	(149,119)	6,840,555

Consolidated Statement of Income for the year ended December 31, 2021

	Balances without reclassification S/(000)	Reclassification S/(000)	Reclassified balances S/(000)
Interest income	4,236,841	36,675	4,273,516
Gains or losses on hedging transactions (Note 17)	50,8766	36,675	87,551
Profit or loss on Financial Transactions (ROF)	709,063	(36,675)	672,388
Gains or losses on hedging transactions (Note 20)	-	(36,675)	(36,675)

3. Accounting Principles and Practices

In preparing and presenting the accompanying consolidated financial statements, Management of Grupo BBVA Perú has met the standards set by the SBS currently effective in Peru. Major accounting principles and practices implemented as of December 31, 2022 have not changed significantly in relation with those applied as of December 31, 2021, as summarized in the audit report dated February 23, 2022.

(a) Financial instruments -

Recognition of financial instruments

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

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

Notes to the consolidated financial statements (continued)

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

Classification financial instruments

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

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

Derecognition of financial assets and financial liabilities

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

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

Notes to the consolidated financial statements (continued)

Impairment of financial assets

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

Offsetting financial instruments

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

(b) Derivative instruments -

Derivative instruments are recorded at trade date according with SBS Resolution 1737-2006 "Regulation on Trading and Accounting of Derivative Products in Financial Institutions" and amendments, derivative financial instruments are recorded on the negotiation date.

Held-for-trading instruments

Held-for-trading instruments are initially recognized in the consolidated statement of financial position at fair value; subsequently, they are measured at fair value.

Future foreign currency operations ("forwards"), interest rate or currency exchange operations ("swaps") and options are recorded at their estimated market value, recognizing an asset or liability in the consolidated statement of financial situation, as appropriate, and the gain or loss from the valuation or settlement in the consolidated result for the year. The nominal value of derivative financial instruments is recorded in the committed or agreed currency, in contingent and/or memorandum accounts.

Hedge derivative instruments

A hedging derivative financial instrument is recorded as such if, on the negotiation date, it is expected that the changes in its fair value or in the cash flows it generates will be highly effective in offsetting the changes generated in the hedged item, which it must be documented on the trading date of the derivative financial instrument, and during the coverage term. Pursuant to SBS Resolution No. 1737-2006 and amendments, a hedge is considered highly effective if changes in the fair value or cash flows of the hedged instrument and the instrument used as a hedge are expected to be within a range of 80% to 125% effective in reducing the risk associated with the hedged exposure.

Notes to the consolidated financial statements (continued)

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

(i) Fair value hedge

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

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

(ii) Cash flows hedges

In a cash flow hedge, the derivative instrument is measured at fair value and may affect 'equity' and 'profit or loss.' The portion of the adjustment to its fair value is recognized in 'equity' of the consolidated statement of profit or loss and other comprehensive income, while the ineffective portion is recognized in the consolidated statement of profit or loss.

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

(c) Investments -

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

(i) Investments at fair value through profit or loss

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

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

Notes to the consolidated financial statements (continued)

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

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

(ii) Held-to-maturity investments

This category includes debt instruments whose collections are of a fixed or determinable amount and whose maturities are fixed, and which also meet the following requirements: i) they have been acquired or reclassified with the intention of holding them until maturity; due date; ii) the Group must have the financial capacity to hold them until maturity; and iii) they are instruments other than those that, at the time of initial recognition, the Group has designated to be accounted for at fair value through profit or loss, or as available-for-sale assets.

Likewise, they shall be classified by at least two local or international credit rating agencies and the classifications shall be within the parameters established by the SBS, being excluded from this requirement the instruments of Central Banks of countries whose sovereign debt receives at least the classification that corresponds to the sovereign debt of Peru.

Investments are initially measured at fair value plus transactions costs that are directly attributable to the instrument's acquisition.

The subsequent measurement of these investments is carried out at amortized cost, using the effective interest rate method. Any impairment loss is recognized in the consolidated statement of income.

(iii) Available-for-sale investments

Available-for-sale investments are all investment instruments that are not classified as investments at fair value through profit or loss, held-to-maturity investments, or investments in subsidiaries, associates and joint ventures. Likewise, all instruments shall be included in this category as required by the SBS.

Notes to the consolidated financial statements (continued)

Investments are initially measured at fair value plus transactions costs that are directly attributable to the instrument's acquisition. Subsequent measurement of these investments is carried out at fair value; in the case of equity instruments that do not have prices quoted in active markets and whose fair value cannot be reliably estimated, they must be measured at cost. Likewise, in the case of debt instruments, prior to the measurement at fair value, shall be remeasured using the effective interest method, and gains or losses from the changes in fair value shall be recognized.

The gain or loss originated by the fluctuation of the fair value of the available-for-sale investments is recognized directly in equity until the instrument is sold or realized, at which time the gain or loss that previously recognized in equity is transferred and recorded in the consolidated result for the year, except for value impairment losses that are recorded in the results when presented.

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

Gains or losses from exchange differences related to equity instruments are recognized in equity as 'unrealized profit or loss', while those related to debt instruments are recognized in the consolidated profit or loss for the period.

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

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

Impairment assessment -

SBS resolution No 7033-2012, as amended, as well as SBS resolution No 2610-2018 set a standard methodology for identifying impairment of available-for-sales investments and held-to-maturity investments. That methodology is to be applied quarterly to all debt and equity instruments as follows:

Notes to the consolidated financial statements (continued)

(I) Debt instrument:

At each quarter-end, involving the entire debt instrument portfolio, an assessment shall be conducted of whether the following has occurred:

1. Weakening of the financial position or financial ratios of issuer and its economic group.
2. Downgrading of the credit rating of the instrument or issuer, in at least two (02) "notches", from the date of acquisition of the instrument, where one "notch" reflects the minimum difference between two risk ratings inside one single rating scale.
3. Disruption of transactions or an active market for the financial asset, due to issuer's financial difficulty.
4. Observable inputs indicate that, from the initial recognition of a group of financial assets with similar characteristics to those of the assessed instrument, there is a measurable decrease in the estimated future cash flows, even though that decrease cannot yet be related to individual financial assets of the group.
5. Decrease in value due to changes in standards (tax, regulatory or governmental).
6. Significant decrease in fair value below the amortized cost. A significant decrease exists if the fair value at the closing date has decreased by at least 40% below its amortized cost at that date.
7. Prolonged decrease in fair value. A prolonged decrease exists if the fair value at the closing date has decreased by at least 20% as compared to the amortized cost of the prior twelve (12) months, and the fair value at each month's closing date for the period of the prior twelve (12) months has always been held below the amortized cost at the date of each month's closing date.

The fair value to be used to assess criteria 6 and 7 is that used in determining the value of debt instruments available for sale, under the criteria set by the above-mentioned resolution, regardless of the accounting classification given to the debt instrument. However, if the decrease in fair value of the debt instrument is fully due to an increase in risk-free interest rate, such a decrease shall not be considered an indicator of impairment.

In the event at least two (2) of the above-described conditions actually occur, it is said that impairment exists. In the event at least two (2) of the above-described conditions have not occurred, it will be enough to see one of the following specific conditions to occur to be considered that impairment exists:

- (a) Noncompliance with contractual clauses, such as default in payment interest or not principal.

Notes to the consolidated financial statements (continued)

- (b) Renegotiating contractual terms of the instruments based on legal or financial issues involving the issuer.
 - (c) Evidence exists that the issuer is undergoing mandatory restructuring or bankruptcy.
 - (d) When the risk rating of a instrument that held investment grade is downgraded below the investment grade.
- (II) Equity instrument:
- At each quarter-end, involving equity instruments, an assessment shall be conducted of whether the following has occurred:
- 1. Downgrading the risk rating of any debt instrument of the issuer that was rated as investment grade to a rating that below the investment grade.
 - 2. Significant changes have occurred in the technological, market, economic, or legal environment in which the issuer operates that may have adverse effects on the recovery of the investment.
 - 3. Weakening of the financial position or financial ratios of issuer and its economic group.
 - 4. Disruption of transactions or an active market for the financial asset, due to issuer's financial difficulty.
 - 5. Observable inputs indicate that, from the initial recognition of a group of financial assets with similar characteristics to those of the assessed instrument, there is a measurable decrease in the estimated future cash flows, even though that decrease cannot yet be related to individual financial assets of the group.
 - 6. Decrease in value due to changes in standards (tax, regulatory or governmental).
 - 7. In the event at least two (2) of the above-described conditions actually occur, it is said that impairment exists. In the event at least two (2) of the above-described conditions have not occurred, it will be enough to see one of the following specific conditions to occur to be considered that impairment exists:
 - (a) Significant decrease in fair value below the amortized cost. A significant decrease exists if the fair value at the closing date has decreased by at least 40% below its amortized cost, Costo r acquisition cost is always to be the initial cost, regardless of whether impairment had been previously recognized of the equity instruments assessed.

Notes to the consolidated financial statements (continued)

- (b) Prolonged decrease in fair value. A prolonged decrease exists if the fair value at the closing date has decreased by at least 20% as compared to the amortized cost of the prior twelve (12) months, and the fair value at each month's closing date for the period of the prior twelve (12) months has always be held below the amortized cost at the date of each month's closing date.
- (c) Noncompliance with statutory provisions by issuer, involving payment of dividends.
- (d) Evidence exists that the issuer is undergoing mandatory restructuring or bankruptcy.

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

Further, if the SBS considers that an additional provision shall be recorded for any type of investment, such a provision will be determined based on each individual security and shall be recorded in profit or loss for the year in which SBS sets the requirement to make such a provision.

- Recognizing differences on exchange -
Exchange gains or losses derived from the amortized cost of debt instruments are stated in profit or loss and those arising from the difference between the amortized cost and the fair value are stated within unrealized gains or losses in equity. For equity instruments, they are considered non-monetary items, and therefore, they are stated at their historical cost in local currency because exchange gains or losses are part of their valuation and are recognized in unrealized gains or losses in equity.
- Changes in classification -
In the event of changes in classification from available-for-sale investments to held-to-maturity investments, the carrying amount of fair value if the investment instrument at the date of exchange will be considered the new amortized cost. Any previously recognized profit or loss on that instrument that was previously directly stated in equity will be carried to profit or loss for the period over the remaining life of the held-to-maturity investment using the effective interest method. Any difference arising between the new amortized cost and the amount at maturity date will be also amortized over the remaining life of the investment instrument using the effective interest

Notes to the consolidated financial statements (continued)

method, same way as the amortization of a premium or a discount. If the investment instrument is subsequently impaired, any resulting gains or losses that had been directly recognized in equity shall be transferred and stated in profit or loss for the period. During 2022 and 2021, the Bank did not perform any reclassifications.

(d) Investments accounted for under the equity method -

An associate is an entity over which an investor has significant influence. Significant influence means the power to direct the financial and operating policies and decision of the investee but without having control or joint control over the investee.

The criteria to be considered in determining the existence of significant influence or joint control are similar to those considered in determining the existence of control over the subsidiaries.

The Bank and Subsidiaries record its investment in associates under the equity method of accounting. Under this method, at inception, these investments are stated at fair value, including the costs attributable directly to the acquisition; subsequently, they are measured under the equity method.

The excess between the consideration paid and the fair value of the identifiable assets acquired, and the liabilities assumed on the acquisition date is recognized as goodwill. This goodwill is included in the carrying amount of the investment, and is assessed for impairment as part of the investment (note 3(j)). In the event the fair value of the investment exceeds the consideration paid, this amount is recognized as profit in the consolidated statement of income.

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

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

In the event the Bank loses significant influence over an associate, the Bank and its subsidiaries measure and recognize its retained interest at its fair value. Any difference resulting between the carrying amount of the associate at the date significant influence is lost and the fair value of any retained interest in an associate and any proceeds obtained from disposal of a portion of the interest in the associate is recognized in the consolidated statement of comprehensive income.

Notes to the consolidated financial statements (continued)

(e) Loans and provisions for loan losses

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

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

(i) Types of loans

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

(ii) Accounting situation of loans

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

Current loans

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

Restructured loans

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

Refinanced loans

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

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Notes to the consolidated financial statements (continued)

Past due loans

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

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

Type of loans / Product	Days in arrear
Sovereign loans, to multilateral development banks, public entities, securities intermediaries, financial entities, corporations, large companies and medium-sized companies.	15 calendar days after the due date for payment of any of the agreed installments.
Small-business and micro-business loans.	30 calendar days after the due date for payment of any of the agreed installments.
Consumer (revolving and non-revolving) loans and mortgage loans. Finance lease and real state capitalization agreement, regardless of the type of the loan.	Progressive tax After 30 calendar days of not having paid on the agreed date, only the unpaid portion will be considered past due; while after 90 calendar days of default in any of the agreed installments, the entire debt will be considered past due.
Overdrafts in checking accounts, regardless of the amount and type of the loan.	As of the thirty-first (31st) calendar day of granted the overdraft.

Lawsuit loans

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

Notes to the consolidated financial statements (continued)

Rescheduled loans

By means of Official Letter No 5345 - 2010-SBS, the SBS has cleared that in certain situations, volatility of the debtor's revenue is expected, which can cause a mismatch between the expected cash flows and originally agreed repayment timetables. To the extent those situations or events are temporary in nature and the debtor's feasibility is not compromised, adjusting the originally agreed contractual terms should not reflect diminished payment capacity of the customer, and therefore, those adjustments shall not constitute refinancing.

These cases should be assessed by the financial system entities on an individual basis and their decision should be supported by including the risk assessments conducted together with the documentation contained in the debtor's file, which should be made available to the SBS.

In the event the volatility of revenue affects the structural viability of a debtor's, or a debtor is incurred in delays in payment, the adjustments made to the contractual terms and conditions will be considered to reflect impaired payment capacity, and therefore, those contractual term adjustments shall constitute refinancing.

(iii) Measurements in the COVID-19 context

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

Rescheduled loans due to the public health emergency

They are those credits that have undergone modifications in their contractual conditions (mainly by extension in the payment schedule as a result of the granting of a grace period), without this constituting a refinancing, to the extent that the total term of the referred credits does not extend for more than 6 (six) months of the original term or 12 (twelve) months, depending on the type of credit, and that on the date of the declaration of the state of emergency the debtors are up to date with their payments. The principal balance and interest of the reschedulings are controlled in memorandum accounts.

The types of rescheduling are

- Mass rescheduling
Massive rescheduling of loans, with or without the approval of the customer and without credit risk assessment, have the following requirements:
 - (i) The customer shall record 15 days past due as maximum as of February 29, 2020 or as of March 15, 2020.

Notes to the consolidated financial statements (continued)

- (ii) The maximum date to request the first rescheduling is until May 30, 2020 (loans to large companies and corporate loans) and until June 30, 2020 (retail loans to medium-sized companies).
 - (iii) The maximum date for rescheduling is 6 months for loans to large companies and corporate loans, and 12 months for retail loans and medium-sized companies.
- Individual rescheduling
In individual rescheduling, there must be a credit risk assessment and have the customer's approval. The maximum rescheduling period of 6 and 12 months of mass rescheduling does not apply, and it may be extended to longer periods. Likewise, the customer shall not be more than 30 days past due to the rescheduling date.
- For both rescheduling types, as of July 1, 2020, revolving loans for credit cards shall be rescheduled only for the entire debt in a new payment schedule.
- Financial entities may apply the accrual criterion for the accounting treatment of the interests associated with the retail loans that are subject to rescheduling. If such retail loans change the accounting treatment to default after the payment obligation according with the new schedule is resumed, the entity shall reverse the accrued and unpaid interest, having 6 months to carry out such reverse proportionally.
- For wholesale debtors with massive rescheduling loan, the accounting treatment of interest shall be subject to the assumption method. For rescheduling process carried out as an individual credit risk assessment, accrual basis may be applied.
- In 2021, through Official Letters 6302-2021-SBS and 13613-2021-SBS, the following provisions are effective:
 - From March 16, 2021, loans may be subject to unilateral modifications when the customer pays at least one full installment, including principal, in the last six (6) months, but the modified payment schedule cannot be extended for more than three (3) months, considering the customer's last payment schedule. Likewise, interest on loans rescheduled from such date shall be recognized when earned.

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Notes to the consolidated financial statements (continued)

- From March 16, 2021, modifications may be made unilateral credit operations without the client having paid at least one full installment, including capital, in the last six (6) months; the modified payment schedule may be extended for a maximum of three (3) months in total, considering the customer's last payment schedule. For the credits of debtors with a Normal and CPP classification rescheduled under these conditions, the companies must constitute additional voluntary provisions, equivalent to the Deficient risk classification. Likewise, the accounting record of the interests associated with the credit operations rescheduled from the date unilaterally, must be carried out by the criterion of what was received.
- SBS Resolution 3922-2021, issued on December 23, 2021 and effective December 2021, modified the Regulation on Borrower Risk Assessment and Credit Rating, and Provision Requirements (SBS Resolution 11356-2008) in relation to loans recognized as rescheduled loans due to the public health emergency. It also stated the following:
- The specific provisions for rescheduled loans due to the public health emergency include consumer loans, micro-business loans, small-business loans and medium-business loans.
- Requirement of specific provisions

Debtor classification /Accounting status	Conditions	Specific provision to be made according to risk rating
Normal	Rescheduled loans of debtors rated as Normal.	CPP (on balance of principal)
Normal / CPP	Default of payment of at least one full installment that includes the principal for the last six months at the accounting reporting close.	Deficient (on balance of principal)
Normal / CPP / Substandard	No payment was made of at least one full installment including principal for the last twelve months.	Doubtful (on balance of principal)
Loans under current status	Rescheduled loans under current status.	Substandard (on accrued interest)
	Rescheduled loans under current status and debtors who failed to pay at least one full installment including principal for the last six months at the accounting reporting close.	Loss (on accrued interest)

Notes to the consolidated financial statements (continued)

- Entities may not, in any case, generate profits or generate higher profit or loss from the reversal of provisions, and shall be used to recognize specific mandatory provisions.
- Accrued interest not collected at the rescheduling date, recognized as revenue, that is capitalized as a result of the rescheduling, must be repaid and recorded as deferred revenue, being recorded as revenue based on the new term of the loan and as installments are settled.

By means of Supreme Decree No 130-2022-PCM, published on October 27, 2022 the National Emergency is ended, and therefore, all new loan rescheduling are within the scope of the provisions of Official Letter No 5345-2010-SBS. In this sense, the provisions set in the Official Letter govern the assessment and/or approval of a loan rescheduling, including recording and accounting treatment.

(iv) Credit risk ratings

The debtor classification categories for credit risk established by the SBS are the following: Normal, with Potential Problem (CPP), Deficient, Doubtful and Loss; which are assigned according to the credit behavior of the debtor.

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

(v) Provision for loan losses

The provision for loan losses is measured in accordance with the criteria established in SBS Resolution 11356-2008 "Regulations for the Evaluation and Classification of the Debtor and the Requirement of Provisions".

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

Notes to the consolidated financial statements (continued)

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

The specific provision is that established on direct credits and the equivalent exposure to credit risk of indirect credits of debtors that have been classified in a risk category higher than the normal category.

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

	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)	Collaterals, import letters of credit, and letters of guarantee, and confirmations of letters of credit not included in a), as well as banker's acceptance.	100
(c)	Letters of guarantee not included in b).	50
(d)	Undisbursed loans granted and unused credit lines.	0
(e)	Other indirect loans not included in the prior paragraphs.	100

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

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Notes to the consolidated financial statements (continued)

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

Credit risk rating	No collateral	Preferred collateral	Preferred easily realizable collateral	Self-liquidating preferred collateral
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%
Revolving loans	1.00%	1.00%	1.00%	1.00%
Non-revolving loans	1.00%	1.00%	1.00%	1.00%
Mortgage loans	0.70%	0.70%	0.70%	0.70%
With potential problems	5.00%	2.50%	1.25%	1.00%
Substandard	25.00%	12.50%	6.25%	1.00%
Doubtful	60.00%	30.00%	15.00%	1.00%
Loss	100.00%	60.00%	30.00%	1.00%

As of December 31, 2022 and 2021, the procyclical component for the provision for loan portfolio is deactivated, according to SBS Official Letter B-2224-2014. SBS Resolution 3718-2021 modified the Regulation on Borrower Risk Assessment and Credit Rating and Provision Requirements in relation to activation criteria of procyclical provisions. Accordingly, they can be activated as of June 30, 2024. The minimum rates of the procyclical component are the following:

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

For loans with self-liquidating preferred collaterals, the procyclical component shall be 0% for the portion covered by such collaterals. For non-revolving loans supported by payroll or pension deduction agreements, the procyclical component shall be 0.25%.

Translation of financial statements originally issued in Spanish - Note 32

Notes to the consolidated financial statements (continued)

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

The SBS exceptionally established a zero percent provision rate for credit risk to the part of the loans covered by the guarantee of the Reactiva Peru and FAE for SME program (note 2(e)(v)).

(f) Property, furniture and equipment -

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

	Years
Buildings and premises	33 and 10
Installations and improvements to rental property	Hasta 20
Property, furniture and equipment	10 and 4
Vehicles	5

The accounting balance of leased offices which contracts are terminated or rescinded before maturity are recognized as provisions for impairment.

In-transit units and work in progress items are stated at cost and consist of installations, furniture and equipment remaining to be received or under construction. This includes the cost of acquisition or construction and other direct costs. These items are not depreciated until the relevant assets are received or completed and are already operational.

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

Disbursements for maintenance and repairs are recognized as an expense in the year in which they are incurred. When a component of property, furniture and equipment is sold or withdrawn from use, its accumulated cost and depreciation are eliminated and the gain or loss resulting from the sale is recognized in the consolidated result for the year.

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

Notes to the consolidated financial statements (continued)

(g) Realizable, received as payment and repossessed assets -

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

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

- For assets received, a provision for 20% of the value on the award or recovery date.
- For fixed assets, a monthly provision, within a maximum period of 42 months, a uniform monthly provision must be made, based on the net value obtained in the twelfth or eighteenth month of its adjudication or recovery, depending on whether the SBS extension is available and until completing 100% of the book value of the asset. On an annual basis, the net book value of real estate is compared with the realizable value determined by an independent appraiser and, in the event that this value is lower, a provision for impairment is established.
- For assets other than fixed assets, a provision for the remaining balance within a period of not more than 12 or 18 months, depending on whether an extension is granted by the SBS.

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

(h) Intangible assets -

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

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

Notes to the consolidated financial statements (continued)

(i) Goodwill -

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

For the purpose of impairment testing, assets are grouped into the smallest identifiable group of assets that generates cash inflows from continuing use and is largely independent of the cash inflows from other assets or groups of assets of cash-generating units. Goodwill is allocated to each of the Group's cash-generating unit that is expected to benefit from the synergies arising from the business combination. A cash-generating unit to which the acquired goodwill has been allocated, is tested for impairment annually, or more frequently, when indicators exist that the unit may be impaired. If the recoverable amount of the cash-generating unit exceeds its carrying amount, an impairment loss is recognized reducing the carrying amount of any goodwill allocated to a cash-generating unit, and then to the other assets of the cash-generating unit, on a pro rata basis, proportionally to the carrying amount of each of the assets of the cash-generating unit. Any impairment losses on goodwill is recognized against profit or loss for the year in which it occurs. Impairment losses on goodwill acquired is not reversed in subsequent periods.

(j) Impairment of non-financial assets -

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

(k) Non-current assets held for sale -

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

(l) Debts and financial obligations -

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

Notes to the consolidated financial statements (continued)

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

A financial liability classifies as held-for trading if:

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

As of December 31, 2022 y de 2021, BBVA Peru Group does not have financial liabilities that qualify as held for trading.

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

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

Financial liabilities at fair value through profit or loss are recorded at fair value. Gains and losses from changes in the fair value of these liabilities are recognized in "Profit or loss from financial transactions" in the consolidated statement income.

As of December 31, 2022 and 2021, Grupo BBVA Perú does not have financial liabilities at fair value.

(m) Securities and obligations outstanding -

The liabilities arising from the issuance of instruments, securities and other obligations outstanding are accounted for at their nominal value, with interest accrued recognized in profit or loss for the year. Discounts granted and revenue obtained in their placement are deferred and are shown net of their issuance value and they are amortized over the effective period of the related instruments, securities, and obligations outstanding using the effective interest rate method.

Notes to the consolidated financial statements (continued)

(n) Employee benefits -

Holidays and other benefits

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

Severance payment

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

Employees' profit sharing

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

In the case of subsidiaries, according to legal provisions on the matter, it is not their responsibility to determine the employee's profit sharing, since the number of employees is not more than 20.

Long-term benefits

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

(o) Provision, contingent liabilities and contingent assets -

(i) Provisions

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

(ii) Contingent assets and contingent liabilities

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

Notes to the consolidated financial statements (continued)

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

(p) Income tax -

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

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

The Bank recognizes deferred income tax in accordance with the provisions of IAS 12 - Income Tax. The deferred income tax reflects the effects of the temporary differences between the accounting balances of assets and liabilities and those determined for tax purposes.

The deferred tax liabilities is recognized for all taxable temporary differences that arise when comparing the carrying amount of assets and liabilities and their tax base, without considering that the temporary differences estimated at the beginning will be reversed. The deferred tax asset is recognized for all taxable temporary differences that arise when comparing the carrying amount of assets and liabilities and their tax base, to the extent that it is probable that, in the future, the Bank will have sufficient income tax against which it can apply the temporary differences that revert.

Deferred tax liability and asset are measured at the income tax rate, which is expected to be applied to tax of the year in which this liability is settled or the asset is realized, using the income tax rate enacted or substantially effective at the consolidated statement of financial position.

As set forth under IAS 12, the Bank determines its deferred income tax based on the tax rate applicable to its undistributed profits, recognizing any additional tax on dividend distribution on the date the liability is recognized.

(q) Revenue and expense recognition -

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

Notes to the consolidated financial statements (continued)

Accrued interest from past due, refinanced, restructured and under legal collection loans, as well as loans rated as "doubtful" or "loss", which is recognized in the consolidated statement of profit or loss when are collected effectively. If it is determined that the financial condition of the debtor has improved to such an extent that the uncertainty about the recoverability of the principal disappears, the accounting of the interest generated by these credits is restored on the basis of the accrued.

For ordinary rescheduled loans, interest income is recognized under the accrual method of accounting. For rescheduled loans given in the context of the health emergency, if they are rescheduled on a mass basis, interest income is recognized under the cash receipt method, if they are rescheduled on an individual basis, interest income is recognized under the accrual method of accounting.

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

(r) Basic and diluted earnings per share -

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

(s) Repurchase agreements -

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

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

Notes to the consolidated financial statements (continued)

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

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

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

By means of Emergency Decree No 011-2022, the Government has established the possibility that loans under the Reactiva Perú program can be eligible for a new rescheduling (or first rescheduling for those who did not obtain one previously) for up to a total of 10 thousand million soles.

It should be noted that in the event rescheduling is decided, the repo transaction with the BCRP will not continue but financing for those (rescheduled) loans will be completed with the Bank's resources.

The Peruvian government guarantee will continue to be effective up until the new due date for the rescheduled loan and will also continue to be effective the same percentage of guarantee coverage.

As of December 31, 2022 and 2021, the Bank carries out currency, securities and loan portfolio reporting operations guaranteed by the Government represented in securities and loan portfolio (notes 6, 7 and 14).

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

Notes to the consolidated financial statements (continued)

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

(u) Cash and cash equivalents -

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

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

(v) Trust activities -

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

(w) Intermediation transactions -

Intermediation transactions on behalf of third parties correspond to purchase / sale operations carried out in the stock and over-the-counter markets under specific instructions given by customers to Sociedad Agente de Bolsa. In this type of operation, customers transfer funds to Sociedad Agente de Bolsa in order to settle the operations according to customer' instructions. Such funds are recorded as assets and liabilities in the consolidated statement of financial position.

(x) Foreign currency transactions -

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

Translation of financial statements originally issued in Spanish - Note 32

Notes to the consolidated financial statements (continued)

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

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

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

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

4. Foreign Currency Balances

The consolidated statement of financial position includes balances of foreign currency transactions, mainly in U.S. dollars (US\$), which are recorded in soles (S/) at the exchange rate established by the SBS. As of December 31, 2022 and 2021, buy and sell exchange rate was US\$ 1 = S/ 3.814 and US\$ 1 = S/ 3.987, respectively.

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

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Notes to the consolidated financial statements (continued)

As of December 31, 2022 and 2021, foreign currency balances stated in thousands of U.S. dollars are as follows:

	2022			2021		
	US Dollars US\$(000)	Other currencies	Total	US Dollars US\$(000)	Other currencies	Total
Asset						
Cash and due from banks	2,306,918	109,203	2,416,121	2,949,877	99,220	3,049,097
Investments at fair value through profit or loss and available-for-sale investments	1,028,692	-	1,028,692	400,035	-	400,035
Loan portfolio, net	4,650,731	-	4,650,731	4,316,442	222	4,316,664
Other assets, net	171,138	16,795	187,933	126,893	1,716	128,609
	8,157,479	125,998	8,283,477	7,793,247	101,158	7,894,405
Liabilities						
Deposits and obligations in financial institutions	7,070,250	60,597	7,130,847	6,610,015	68,562	6,678,577
Debts and financial obligations	672,314	-	672,314	1,306,241	-	1,306,241
Provisions and other liabilities	301,430	23,821	325,251	301,951	5,814	307,765
	8,043,994	84,418	8,128,412	8,218,207	74,376	8,292,583
Short position (liabilities)	113,485	41,580	155,065	(424,960)	26,782	(398,178)
Derivative instruments, assets	4,890,362	147,751	5,038,113	6,047,373	202,693	6,250,066
Derivative instruments, liabilities	4,986,132	191,082	5,177,214	5,426,887	233,758	5,660,645
Long position (assets)	17,715	(1,751)	15,964	195,526	(4,283)	191,243

In 2022 and 2021, the Bank recorded net exchange gains for S/ 935 million and S/ 213 million, respectively, which corresponds to the valuation of exchange rate, as well as purchase and sales transactions in foreign currency in 'profit or loss from financial transactions' of the consolidated statement of profit or loss (note 20).

The percentage change in the exchange rate of the Sol in relation to the US dollar was -4.34% and 10.11% for the years 2022 and 2021, respectively.

Translation of financial statements originally issued in Spanish - Note 32

Notes to the consolidated financial statements (continued)

5. Cash and due from banks

As of December 31, this caption comprises the following:

	2022 S/(000)	2021 S/(000)
Peruvian Central Reserve Bank (a)	4,970,231	12,117,862
Foreign banks and other foreign financial (b)	3,627,707	513,896
Cash (a)	2,725,393	2,583,579
Other guarantee funds (c)	699,639	803,222
Foreign Banks and other financial institutions (b)	75,303	198,244
Clearing	46,657	38,003
Other cash and due from banks	73	366
BCRP funds pledge as guarantee (d)	-	39,854
	<u>12,145,003</u>	<u>16,295,026</u>

- (a) Cash balances held by the bank as well as those held with the Peruvian Central Reserve Bank (BCRP) are intended to cover the legal reserve ratio ("encaje legal") that the Bank must keep for the deposits and obligations with the public, under the local regulations currently in force. These cash balances are kept in the Bank's vault or are credited to the BCRP.

As of December 31, 2022 y 2021 this item shows the following accounting balances:

	2022 S/(000)	2021 S/(000)
Legal reserve		
Deposits with BCRP	3,065,635	1,991,281
Cash in vault	<u>2,725,393</u>	<u>2,583,579</u>
	<u>5,791,028</u>	<u>4,574,860</u>
Non-mandatory legal reserve		
Time deposits with BCRP	1,884,659	10,126,581
Interest on checking account	<u>19,937</u>	<u>-</u>
	<u>1,904,596</u>	<u>10,126,581</u>
	<u>7,695,624</u>	<u>14,701,441</u>

As of December 31, 2022 and 2021, the balances subject to the legal reserve requirement in local currency and foreign currency are subject to a implicit rate of 6.00% and 35.00%, respectively (4.75% and 35.00%, respectively as of December 31, 2021) over total obligations subject to legal reserve (TOSE), under the rules set by the BCRP.

Translation of financial statements originally issued in Spanish - Note 32

Notes to the consolidated financial statements (continued)

The legal reserve funds that reflect the legal minimum of 6.00% (4.00% as of December 31, 2021) are not interest bearing. The legal reserve funds comprising the additional legal reserve in foreign currency and in local currency bear interest at a nominal rate set by the BCRP. As of December 31, 2022, a portion of the additional legal reserve funds in U.S. dollars of US\$ 800 million are hedged with a cash flow hedge (Note 8(ii)).

As of December 31, 2022, balances held with the BCRP include overnight deposits of S/1,884 million (S/ 800 million of time deposits and S/ 9,326 million of overnight deposits as of December 31, 2021).

- (b) As of December 31, 2022 and 2021 deposits held with local and foreign banks are mainly in Peruvian soles and in U.S dollars but also other currencies for smaller amounts; they are cash in hand and bear interest at market rates.

As of December 31, 2022, they include balances mainly with the following financial institutions: JP Morgan Chase Bank of S/ 1,355 million, Bank of New York of S/ 771 million, Citibank N.A. New York of S/ 675 million, Standard Chartered Bank S/ 410 million and BBVA París of S/ 384 million (As of December 31, 2021, balances were held mainly with BBVA S.A. S/ 364 million and Citibank N.A. New York of S/ 65 million).

- (c) As of December 31, 2022 and 2021 cash includes cash flows that secure transactions with derivatives as requested by the Bank counterparties for a total US\$ 79 million and US\$ 158 million, respectively. Also, as of December 31, 2022, this balance includes S/ 330 million and US\$ 16 million to secure the transfer process in line with a requirement of BCRP (S/ 132 million and US\$ 9 million, as of December 31, 2021).
- (d) As of December 31, 2021, cash includes amounts that secure repo transactions involving the loan portfolio of S/ 40 million.

During the course of 2022 and 2021, interest income on cash totaled S/ 175 million and S/ 31 million, respectively, and is shown within interest income in the consolidated statement of income (Note 17).

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Notes to the consolidated financial statements (continued)

6. Investments at fair value through profit or loss and available-for-sale

As of December 31, this caption comprises the following:

	2022				2021			
	Amortized cost S/(000)	Gross unrealized gains or losses		Estimated fair value S/(000)	Amortized cost S/(000)	Gross unrealized gains or losses		Estimated fair value S/(000)
		Gains S/(000)	Losses S/(000)			Gains S/(000)	Losses S/(000)	
Investments at fair value through profit or loss:								
Certificates of deposit with BCRP (a)				2,691,234				3,738,906
Peruvian Public Treasury bonds (b)				587,625				390,675
Subtotal				<u>3,278,859</u>				<u>4,129,581</u>
Available-for-sale investments (f)								
Debt instruments:								
U.S. treasury bills (c)	3,659,533	-	(11,777)	3,647,756	1,036,166	-	(522)	1,035,644
Peruvian Public Treasury bonds (b)	3,049,769	-	(67,628)	2,982,141	1,840,838	-	(32,948)	1,807,890
Certificates of deposit with BCRP (a)	1,583,830	-	(1,135)	1,582,695	2,621,476	-	(7,627)	2,613,849
Corporate bonds (d)	68,689	-	(177)	68,512	108,442	1,347	-	109,789
	<u>8,361,821</u>	<u>-</u>	<u>(80,717)</u>	<u>8,281,104</u>	<u>5,606,922</u>	<u>1,347</u>	<u>(41,097)</u>	<u>5,567,172</u>
Shares:								
Shares of local companies (e)	30,750	-	-	30,750	32,834	-	-	32,834
Shares of foreign companies	1,010	-	-	1,010	1,010	-	-	1,010
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,014</u>	<u>-</u>	<u>-</u>	<u>30,014</u>
	<u>31,760</u>	<u>-</u>	<u>-</u>	<u>31,760</u>	<u>63,858</u>	<u>-</u>	<u>-</u>	<u>63,858</u>
Subtotal	<u>8,393,581</u>	<u>-</u>	<u>(80,717)</u>	<u>8,312,864</u>	<u>5,670,780</u>	<u>1,347</u>	<u>(41,097)</u>	<u>5,631,030</u>
Total				<u>11,591,723</u>				<u>9,760,611</u>

- (a) As of December 31, 2022, the certificates of deposit issued by the BCRP consist of negotiable instruments obtained in public auctions held by the BCRP or traded in the secondary market with maturities up until September 2023 (March 2022, as of December 31, 2021). As of December 31, 2022 the balance includes certificates of deposit of S/ 204 million that secure repo transactions (S/ 630 million as of December 31, 2021).

As of December 31, 2022, annual return in local currency on these instruments ranged from 7.00% to 8.06% (from 0.38% to 5.00% in local currency as of December 31, 2021). Annual return in foreign currency was 0.22%, as of December 31, 2021.

- (b) Peruvian Public Treasury Bonds include sovereign bonds of the Republic of Peru in local currency and global bonds in foreign currency issued by the Ministry of Economy and Finance del Perú (MEF), which represent public internal debt securities of the Republic of Peru.

As of December 31, 2022 and 2021, these bonds bore interest at an annual interest rates ranging from 5.20% to 8.20% in local currency, in both periods and 7.35% in foreign currency in both periods. As of December 31, 2022 and 2021, local currency bonds have maturities up until February 2042 and February 2055, respectively, and foreign currency bonds up until July 2025, in both periods.

As of December 31, 2022 and 2021, a portion of the balance of global bonds Perú of US\$ 30 million are hedged with a cash flow hedge (note 8(ii)).

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Notes to the consolidated financial statements (continued)

- (c) As of December 31, 2022, the U.S. Treasury Bills bear interest ranging from (Letras del Tesoro Americano) 0.75% and 4.42% in foreign currency (ranging from 0.02% to 0.21% as of December 31, 2021) and with maturities up until July 2024 (September 2022 as of December 31, 2021).

As of December 31, 2021, a portion of the balance of U.S Treasury Bills of US\$ 100 million was hedged with a cash flow hedge (note 8(ii)). As of December 31, 2022, the Bank holds no hedge on these debt instruments.

- (d) As of December 31, 2022 and 2021 this balance included corporate bonds issued by financial institutions in Peru in foreign currency.

As of December 31, 2022, these bonds bear interest at annual interest rate ranging from 3.50% and 4.25% in foreign currency (from 3.50% to 4.75% as of December 31, 2021). As of December 31, 2022 and 2021, those bonds in foreign currency have maturities up until April 2023 in both periods.

- (e) As of December 31, 2022 a provision for impairment was made of S/ 12 million and S/ 4 million on the investments held on the Lima stock exchange (Bolsa de Valores de Lima) and Pagos Digitales Peruanos, respectively (S/ 11 million and S/ 4 million as of December 31, 2021).

- (f) As of December 31, 2021 the investment in mutual funds reflect the interest units held by BBVA Consumer Finance EDPYME in liquidation in the different funds managed by BBVA Asset Management S.A. SAF.

As of December 31, 2022, unrealized losses on the valuation of available-for-sale investments, net of the related deferred income tax (Note 15(d)) for a total of S/ 79 million (unrealized losses of S/ 42 million as of December 31, 2021).

As of December 31, 2022 and 2021, the return accrued of the Bank's investment portfolio (Note 17) totaled S/ 441 million and S/ 133 million, respectively.

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Notes to the consolidated financial statements (continued)

7. Loan portfolio, net

As of December 31, this caption comprises the following:

	2022 S/(000)	2021 S/(000)
Direct loans		
Loans	27,672,810	32,444,769
Mortgage loans	13,959,809	13,600,490
Consumer loans	9,798,074	7,482,224
Foreign trade	6,010,104	4,894,668
Finance lease	3,180,799	3,463,072
Factoring	1,585,012	1,537,513
Project financing	1,372,565	1,649,807
Discounts	1,229,437	1,014,448
Others	3,499,414	3,519,296
	<u>68,308,024</u>	<u>69,606,287</u>
Loans past due and loans under legal collection	3,207,132	2,778,677
Refinanced loans	<u>1,672,801</u>	<u>2,164,622</u>
	<u>73,187,957</u>	<u>74,549,586</u>
Plus (less)		
Accrued returns on current loans	683,399	641,441
Deferred interest	(86,431)	(99,284)
Provisions for direct loan losses	<u>(4,662,538)</u>	<u>(4,658,162)</u>
	<u>69,122,387</u>	<u>70,433,581</u>
Contingent or indirect loans, note 16	<u>17,913,038</u>	<u>16,981,494</u>

- (a) As of December 31, 2022 and 2021, 51.00% of the direct loan portfolio is concentrated in 4,718 customers, which amounts to S/37,653 million and 3,532 customers, which amount to S/38,320 million, respective.
- (b) Direct loan portfolio with guarantees received from customers, which comprise mortgages, deposits, letters of guarantees, collaterals and warrants, amounts to S/44,922 million As of December 31, 2022 (S/54,432 million as of December 31, 2021).

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Notes to the consolidated financial statements (continued)

- (c) As of December 31, 2022, part of the loan portfolio belongs to the Reactiva Peru program (note 2(e)(iv) with a balance for S/5,801 million (S/11,511 million as of December 31, 2021). The detail of such loans are detailed as follows:

	2022 S/(000)	2021 S/(000)
Types of loans		
Medium-business loans	3,838,459	7,375,613
Large-business loans	1,109,798	2,799,296
Small-business loans	838,921	1,300,959
Micro-business loans	7,554	8,147
Corporate loans	6,152	26,737
Total of Reactiva Peru program loans	5,800,884	11,510,752

- (d) As of December 31, 2022, the Bank holds repo transactions involving the loan portfolio with the BCRP (note 14(a)) for S/5,408 million (S/10,677 million as of December 31, 2021) that relate to the Reactiva Perú Program.
- (e) As of December 31, 2022, the balances of the loans and payables on repo transactions involving loan portfolio with the BCRP (note 14(a)) totaled S/5,793 million and S/4,901 million, respectively (as of December 31, 2021, these balances totaled S/5,608 million and S/4,942 million, respectively).
- (f) As of December 31, 2022, loans that under the Crecer program totaled S/133 million and those under the Fondo de Apoyo Empresarial (FAE) totaled S/23 million (S/20 million and S/28 million as of December 31, 2021), note 2(e)(iv).
- (g) As of December 31, 2022 and 2021, rescheduled loans, including rescheduled loans due to the public health emergency and the rescheduled loans of the Reactiva Peru program, under the SBS standards, totaled S/4,115 million and S/5,939 million, respectively; balances by the type of loan are broken down as follows:

	2022 S/(000)	2021 S/(000)
Types of loans		
Medium-sized entity loans	2,673,573	3,396,056
Large-business loans	644,175	1,142,183
Small-business loans	551,376	717,561
Mortgage loans	202,769	351,850
Consumer loans	29,240	110,871
Corporate loans	10,135	230,545
Micro-business loans	4,045	4,974
Total rescheduled loans	4,115,313	5,954,040

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Notes to the consolidated financial statements (continued)

- (h) As of December 31, 2022, a portion of the balance of the mortgage loan portfolio is securing a debt with Fondo MIVIVIENDA - Programa MIHOGAR for up to S/664 million (S/500 million as of December 31, 2021) (note 13 (b)).
- (i) As of December 31, 2021, a portion of the balance of the trade loan portfolio of US\$146 million was hedged with a cash flow hedge (note 8(ii)). As of December 31, 2022, the Bank has not taken a hedge of this nature.
- (j) the balances of the direct loan portfolio segmented by type of customer, in accordance with the provisions of SBS Resolution No. 11356-2008, is as follows:

	2022		2021	
	S/(000)	%	S/(000)	%
Medium-sized entities	17,614,995	25%	20,135,035	27%
Mortgage	14,613,415	20%	14,383,976	19%
Large entities	12,737,814	17%	12,862,938	17%
Corporate	11,963,605	16%	13,861,115	19%
Consumer	10,153,888	14%	7,792,114	10%
Small entities	3,785,178	5%	2,860,981	4%
Public sector entities	862,688	1%	1,324,985	2%
Financial system entities	808,890	1%	593,153	1%
Security brokerage	486,041	1%	654,890	1%
Micro businesses	161,443	-	80,399	-
	<u>73,187,957</u>	<u>100%</u>	<u>74,549,586</u>	<u>100%</u>

- (k) During 2022 and 2021, the interest earned on the loan portfolio were mutually agreed based on the prevailing market rates. In March 2021, the Peruvian Congress enacted Law No31143 that establishes that the BCRP is charged with setting the maximum and minimum interest rates for financial institutions. In April 2021, BCRP set the methodology for the calculation of the maximum interest rate on consumer loans, and loans to microbusinesses and small entities, which is to be updated semiannually in May and November. As of December 31, 2022, the maximum annual interest rate is 87.91% in local currency and 68.27% in foreign currency (as of December 31, 2021, the maximum annual interest rate was 83.64% in local currency and 66.08% in foreign currency).

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Notes to the consolidated financial statements (continued)

- (l) As of December 31, 2022 and 2021, the average annual effective interest rate of the main products was as follows:

	2022		2021	
	Local currency	Foreign currency	Local currency	Foreign currency
Lending activities				
Loans and discounts	6.94	5.35	4.10	3.95
Mortgage	5.98	5.42	5.86	5.43
Consumer	20.71	22.11	19.49	21.25

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Notes to the consolidated financial statements (continued)

(m) As of December 31, 2022 and 2021, in accordance with current SBS regulations, the BBVA Peru Group's loan portfolio is classified by risk as follows:

	2022						2021					
	Direct S/(000)	%	Contingent S/(000)	%	Total S/(000)	%	Direct S/(000)	%	Contingent S/(000)	%	Total S/(000)	%
Risk category												
Normal	65,824,886	90	16,223,261	90	82,048,147	90	67,126,831	90	15,272,594	90	82,399,425	90
With potential problems	2,382,750	3	1,202,558	7	3,585,308	4	2,602,306	3	1,119,484	7	3,721,790	4
Substandard	1,117,219	2	236,992	1	1,354,211	1	1,153,049	2	454,809	3	1,607,858	2
Doubtful	1,263,460	2	124,124	1	1,387,584	2	1,231,574	2	71,894	-	1,303,468	1
Loss	2,513,211	3	126,103	1	2,639,314	3	2,336,542	3	62,713	-	2,399,255	3
	<u>73,101,526</u>	<u>100</u>	<u>17,913,038</u>	<u>100</u>	<u>91,014,564</u>	<u>100</u>	<u>74,450,302</u>	<u>100</u>	<u>16,981,494</u>	<u>100</u>	<u>91,431,796</u>	<u>100</u>
Unaccrued interest	<u>86,431</u>		<u>-</u>		<u>86,431</u>		<u>99,284</u>		<u>-</u>		<u>99,284</u>	
	<u>73,187,957</u>		<u>17,913,038</u>		<u>91,100,995</u>		<u>74,549,586</u>		<u>16,981,494</u>		<u>91,531,080</u>	

(*) In recording provisions over 2021, as described in note 2(e)(ii) and in accordance with SBS resolution No3922-2021, Covid-19 rescheduled loans that were rated as "Normal" shall be considered as rated "CPP", and those that were rated "Normal" and "CPP" by the Bank, which had not made effective payment one full installment, including the principal, for the last 6 months, shall be rated as "Substandard"; those rescheduled which failed to make effective payment of one full installment, including principal, for the last 12 months shall be rated as "Doubtful". As of December 31, 2022 and 2021, the balance of these provisions for rescheduled loans totaled S/7 million and S/49 million, respectively.

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Notes to the consolidated financial statements (continued)

- (n) As of December 31, 2022 and 2021, movement of the provision for direct loan losses is as follows:

	2022 S/(000)	2021 S/(000)
Balance at the beginning of the year	(4,658,162)	(4,419,103)
Additions debited to profit or loss	(2,382,251)	(2,260,664)
Recovery of provisions	1,371,455	1,460,773
Write-off	448,669	184,458
Sale of loan portfolio	430,517	399,621
Exchange difference, net	71,531	(63,910)
Waiver	55,703	40,663
Closing balance	<u>(4,662,538)</u>	<u>(4,658,162)</u>

- (o) As of December 31, 2022 and 2021, the provision for direct loan losses, net presented in the consolidated statement of income, is presented as follows:

	2022 S/(000)	2021 S/(000)
Provisions for loan losses	(2,382,251)	(2,260,664)
Recovery of provisions for loan losses	1,371,455	1,460,773
Revenue from recovery of loan portfolio	13,541	14,317
Recovery of provisions for country risk	12,643	32,883
Provision for loan losses, net of recoveries	<u>(984,612)</u>	<u>(752,691)</u>

- (p) The balance of the provision for bad debts involving direct loans is broken down as follows:

	2022 S/(000)	2021 S/(000)
Specific	(3,021,965)	(2,925,600)
Specific - COVID-19	(8,646)	(49,222)
Generic	(735,777)	(671,810)
Voluntary	(895,657)	(1,010,642)
Provision for country risk	(493)	(888)
Closing balance	<u>(4,662,538)</u>	<u>(4,658,162)</u>

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Notes to the consolidated financial statements (continued)

The provision for bad debts involving indirect loans is shown within "Payables, provisions, and other liabilities" in the consolidated statement of financial position (note 14).

Grupo BBVA Perú, in compliance with current standards and regulations, has identified those customers that are exposed to the credit risk and currency risk and no additional provision has been deemed necessary to be made.

Management of Grupo BBVA Perú considers that the provision for doubtful loans recorded as of December 31, 2022 and 2021 has been made in accordance with the SBS standards effective at those dates.

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Notes to the consolidated financial statements (continued)

8. Held-for-trading and hedging instruments

As of December 31, 2022 and 2021, BBVA Peru Group through the Bank holds foreign-exchange forward contracts, cross-currency swaps and interest rate swaps and options. The table below shows the fair value of these derivative financial instruments, including receivables (asset) or payables (liabilities). The nominal values shown reflect the notional amounts of the derivatives based on which changes in the fair value are measured.

	Note	Underlying	Maturity date	Nominal S/(000)	Assets S/(000)	Liabilities S/(000)
2022						
Held-for-trading instrument						
Currency forward contracts			Between 2023 and 2029	21,636,906	330,171	112,740
Interest rate swaps			Between 2023 and 2050	17,944,373	532,972	384,954
Currency swap			Between 2023 and 2042	16,645,992	482,709	736,333
Options of shares, changes and others			Between 2023 and 2026	871,648	11,816	11,816
Provision for country risk			-	-	(8,049)	-
				<u>57,098,919</u>	<u>1,349,619</u>	<u>1,245,843</u>
Hedging instruments						
	5, 6 and 13					
At fair value (i)						
Interest rate swaps		Bonds issue	2024	1,144,200	-	67,398
Interest rate swaps		Loans	2026	762,800	2,974	-
Contractual cash flows (ii)						
Interest rate swaps		Legal reserve	From 2024 to 2025	3,051,200	685	2,750
Currency swap		Balances due	2027	228,840	-	15,125
Currency swap		Global Perú bonds	2025	114,420	-	15,274
Currency forward contracts		Time deposits	2023	90,814	-	3,081
				<u>5,392,274</u>	<u>3,659</u>	<u>103,628</u>
				<u>62,491,193</u>	<u>1,353,278</u>	<u>1,349,471</u>

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Notes to the consolidated financial statements (continued)

	Note	Underlying	Maturity date	Nominal S/(000)	Assets S/(000)	Liabilities S/(000)
2021						
Held-for-trading instrument						
Currency forward contracts			Between 2022 and 2029	23,311,275	339,541	428,488
Interest rate swaps			Between 2022 and 2050	21,067,297	221,545	236,945
Currency swap			Between 2022 and 2042	21,285,101	1,217,374	904,980
Options of shares, changes and others			Between 2022 and 2026	1,024,321	1,607	1,607
Provision for country risk				-	(12,335)	-
				<u>66,687,994</u>	<u>1,767,732</u>	<u>1,572,020</u>
Hedging instruments						
	5,6,12 and 13					
At fair value (i)						
Interest rate swaps		Bonds issue	Between 2022 and 2024	3,189,600	51,090	-
Interest rate swaps		Loans	2022	19,935	76	-
Contractual cash flows (ii)						
Currency forward contracts		Loan portfolio	2022	583,738	16,958	-
Currency forward contracts		U.S. treasury bills	2022	398,700	7,446	-
Currency forward contracts		Future cash flows - supplier	2022	210,115	-	2,733
Currency forward contracts		Interest on bonds	2022	158,982	235	3,894
Currency swap		Peru's global bonds	2025	119,610	-	28,378
Interest rate swaps		Loans	2022	11,391	-	54
				<u>4,692,071</u>	<u>75,805</u>	<u>35,059</u>
				<u>71,380,065</u>	<u>1,843,537</u>	<u>1,607,079</u>

(i) Fair value - hedging instruments

Interest rate swap

As of December 31, 2022, the Bank has contracted "interest rate swaps - IRS" for a nominal value equivalent to S/ 1,907 million to cover issues and debts (S/ 3,210 million to hedge bonds and debts as of December 31, 2022). December 2021). Through the IRS, the Bank receives interest at a fixed rate in US dollars and pays interest at a variable rate in that same currency. In the year 2022, the variation in the fair value of the IRS amounts to a loss of S/ 92 million and is presented in the caption " Profit or loss from financial transactions" of the consolidated statement of income (S/ 37 million loss in the year 2021) .

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Notes to the consolidated financial statements (continued)

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

Hedging instrument		Face value of the hedging instrument stated in thousands of S/		Fair value of the hedging instrument stated in thousands of S/	
		2022	2021	2022	2021
Fair value hedge		1,907,000	3,209,535	(64,424)	51,166
	Interest rate swap (IRS)				
First international issuance of subordinated bonds for US\$ 300 million (note 13 (d))	The Bank receives a fixed interest rate and pays a variable interest rate.	1,144,200	1,196,100	(67,398)	22,251
	Interest rate swap (IRS)				
BBVA balance due of US\$ 200 million (note 13 (a))	The Bank receives a fixed interest rate and pays a variable interest rate.	762,800	-	2,974	-
	Interest rate swap (IRS)				
First international issuance of corporate bonds for US\$ 500 million (note 13 (d))	The Bank receives a fixed interest rate and pays a variable interest rate.	-	1,993,500	-	28,839
	Interest rate swap (IRS)				
Wells Fargo loan for US\$ 5 million (note 13 (a))	The Bank receives a fixed interest rate and pays a variable interest rate.		19,935		76

(ii) Cash flow - hedging instruments

Currency forward contracts

As of December 31, 2022, the Bank has foreign exchange forward contracts with a notional amount of S/ 91 million to hedge time deposits of US\$ 24 million. By means of this foreign exchange forward contract, the Bank receives cash flows in U.S. dollars and pays future cash flows in Peruvian soles.

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

During 2022, the fair value of the forward contracts was a loss of S/ 2 million stated in equity accounts, net of its deferred income tax (gains, net of deferred income tax of S/ 31 million during 2021).

Currency swap

As of December 31, 2022, the Bank holds currency swaps with a face value amounting to S/343 million for the bonds hedge accounted for as available-for-sale investments (US\$ 30 million of a global bond) and due from banks (US\$ 60 million). By means of the CCS on global bonds, the Bank received a fixed interest rate in Peruvian soles and pays a fixed interest rate in U.S. dollars; while by means of the CCS on balances due, the Bank obtains a fixed interest rate in U.S. dollars and pays and fixed interest rate in soles.

As of December 31, 2021, the Bank has CCS contracts with a notional amount of S/ 120 million to hedge bonds accounted for as available-for-sale investments (US\$ 30 million global bonds). By means of the CCS on global bonds, the Bank obtains a fixed interest rate in soles and pays a fixed interest rate in U.S. dollars.

During 2022, the fair value of the CCS was a loss of S/ 22 million and stated in equity accounts, net of its deferred income tax (loss, net of deferred income tax of S/ 35 million during 2021).

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Notes to the consolidated financial statements (continued)

Interest rate swap

As of December 31, 2022, the Bank has an interest rate swap (IRS) contract with a notional amount of S/ 3,051 million to hedge a number of additional legal reserve funds in U.S. dollars. The Bank receives a fixed interest rate in U.S. dollars and pays a floating interest rate in the same currency.

As of December 31, 2021, the Bank holds cross-currency swaps contract at face value for S/11 million for loans and issuance. The Bank receives a variable interest rate in U.S. dollars and pays a fixed interest rate in the same currency.

During 2022, the fair value of IRS resulted in a loss of S/ 1 million as recognized in equity items, net of deferred income tax (loss, net of deferred income tax of S/ 0.1 million in 2021).

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

Hedge element	Hedging instrument	Face value of the hedging instrument stated in thousands of S/		Fair value of the hedging instrument stated in thousands of S/	
		2022	2021	2022	2021
Cash flows hedges		3,485,274	1,482,536	(35,545)	(10,420)
	Interest rate swap (IRS)				
	The Bank receives fixed interest rate in U.S. dollars and pays a floating interest rate in the same currency.				
Additional legal reserve funds of US\$ 800 million (note 5 (a))		3,051,200	-	(2,065)	-
	Cross currency swap (CCS)				
	The Bank receives a fixed interest rate in U.S. dollars and pays a fixed interest rate in soles.				
Balance due IFC (Institute Finance Corporation) of US\$ 60 million (note 13 (c))		228,840	-	(15,125)	-
	Cross currency swap (CCS)				
	The Bank receives a fixed interest rate in soles and pays a fixed interest rate in U.S. dollars.				
Global bonds of US\$ 30 million (note 6 (b))		114,420	119,610	(15,274)	(28,378)
	Foreign exchange forward				
	The Bank receives future cash flows in U.S. dollars and pays future cash flows in soles.				
Time deposits of US\$ 24 million (note 12)		90,814	-	(3,081)	-
	Foreign exchange forward				
	The Bank receives future cash flows in soles and pays future cash flows in U.S. dollars.				
Loan portfolio of US\$ 146 million (note 7)		-	583,738	-	16,958
	Foreign exchange forward				
	The Bank receives future cash flows in soles and pays future cash flows in U.S. dollars.				
U.S. Treasury Bills of Exchange US\$ 100 million (note 6 (c))		-	398,700	-	7,446
	Foreign exchange forward				
	The Bank receives future cash flows in U.S. dollars and pays future cash flows in soles.				
Interest on bonds of US\$ 40 million (note 13 (d))		-	158,982	-	(3,659)
	Foreign exchange forward				
	The Bank receives cash flows in U.S. dollars and pays future cash flows in soles.				
Invoice payments of US\$ 39 million (note 14 (b))		-	153,500	-	(1,906)
	Foreign exchange forward				
	The Bank receives future cash flows in U.S. dollars and pays future cash flows in soles.				
Commission and expense payments US\$ 14 million (note 14 (b))		-	56,615	-	(827)
	Interest rate swap (IRS)				
	The Bank received a floating interest rate and pays a fixed interest rate.				
Balances due Standard Chartered of US\$ 3 million (note 13 (a))		-	11,391	-	(54)

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9. Interests in associates

As of December 31, this caption comprises the following:

	2022 S/(000)	2021 S/(000)
Compañía Peruana de Medios de Pagos S.A.C. (a)	7,350	7,001
TFP S.A.C. (b)	4,798	5,998
	<u>12,148</u>	<u>12,999</u>

- (a) As of December 31, 2022 and 2021, the BBVA Peru Group, through the Bank, holds 21.50% and 21.15% of shares in the share capital of Compañía Peruana de Medios de Pago S.A.C. (Niubiz), respectively.
- (b) As of December 31, 2022 and 2021, BBVA Peru Group, through the Bank, maintains share of 24.30% in the share capital of TFP S.A.C., for both periods.
- (c) In 2022 and 2021, the Bank recognized net gains on investments in associates for S/8 million and S/10 million, respectively (note 20).

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Notes to the consolidated financial statements (continued)

10. Property, furniture and equipment, net

Movement in property, furniture and equipment and accumulated depreciation for the years 2021 and 2020 was as follows:

	Land S/(000)	Buildings and premises S/(000)	Property, furniture and equipment S/(000)	Vehicles S/(000)	Installations and improvements to rental property S/(000)	Work-in progress S/(000)	Goods in transit and replacement parts S/(000)	Total S/(000)
Costs								
Balance as of January 1, 2021	118,224	899,731	781,525	8,088	347,754	151,479	255	2,307,056
Additions	-	12,154	98,700	-	6,618	70,026	-	187,498
Disposals and sales	-	-	(15)	-	-	-	-	(15)
Derecognition of assets and others	-	(356)	(27,088)	(366)	-	-	-	(27,810)
Transfers	-	14,188	366	-	(285)	(14,269)	-	-
As of December 31, 2021	<u>118,224</u>	<u>925,717</u>	<u>853,488</u>	<u>7,722</u>	<u>354,087</u>	<u>207,236</u>	<u>255</u>	<u>2,466,729</u>
Additions	-	13,821	69,618	1,823	8,547	50,369	-	144,178
Derecognition of assets and others	-	(293)	(15,174)	-	(8)	-	-	(15,475)
Transfers	-	154,816	13,019	-	38,592	(206,427)	-	-
As of December 31, 2022	<u>118,224</u>	<u>1,094,061</u>	<u>920,951</u>	<u>9,545</u>	<u>401,218</u>	<u>51,178</u>	<u>255</u>	<u>2,595,432</u>
Depreciation								
Balance as of January 1, 2021	-	571,525	522,301	7,282	192,843	-	-	1,293,951
Additions	-	26,456	71,251	427	11,213	-	-	109,347
Disposals and sales	-	-	(15)	-	-	-	-	(15)
Impairment	-	9,700	-	-	10,100	-	-	19,800
Derecognition of assets	-	(356)	(27,111)	(366)	-	-	-	(27,833)
Transfers	-	2,266	-	-	(2,266)	-	-	-
As of December 31, 2021	<u>-</u>	<u>609,591</u>	<u>566,426</u>	<u>7,343</u>	<u>211,890</u>	<u>-</u>	<u>-</u>	<u>1,395,250</u>
Additions	-	32,243	75,204	404	11,911	-	-	119,762
Impairment	-	-	-	-	17,926	-	-	17,926
Derecognition of assets	-	(293)	(14,939)	-	-	-	-	(15,232)
Transfers	-	(4)	-	-	4	-	-	-
As of December 31, 2022	<u>-</u>	<u>641,537</u>	<u>626,691</u>	<u>7,747</u>	<u>241,731</u>	<u>-</u>	<u>-</u>	<u>1,517,706</u>
Net carrying amount								
As of December 31, 2022	<u>118,224</u>	<u>452,524</u>	<u>294,260</u>	<u>1,798</u>	<u>159,487</u>	<u>51,178</u>	<u>255</u>	<u>1,077,726</u>
As of December 31, 2021	<u>118,224</u>	<u>316,126</u>	<u>287,062</u>	<u>379</u>	<u>142,197</u>	<u>207,236</u>	<u>255</u>	<u>1,071,479</u>

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

Management performs a periodic review the method of depreciation used to ensure it is consistent with the economic benefit assessed for the fixed assets. Bank Management considers that there is no indicator of impairment of the Bank's fixed assets as of December 31, 2022 and 2021.

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Notes to the consolidated financial statements (continued)

11. Other assets, net

As of December 31, this caption comprises the following:

	2022 S/(000)	2021 S/(000)
Financial instruments -		
Transactions in progress (a)	973,083	548,896
Others	3,679	2,098
Other assets, note 28	976,762	550,994
Accounts receivable for sale of assets, services and trust	6,194	7,578
Other accounts receivable	39,601	21,823
Receivables, note 28	45,795	29,401
Non-financial instruments -		
Intangible assets (b)	378,061	318,907
Sales and income tax credit, net	239,323	199,451
Prepaid expenses (c)	175,312	139,892
	792,696	658,250
	1,815,253	1,238,645

- (a) Transactions in progress are mainly those carried out during the last days of the month and are reclassified in the following month to their final accounts in the consolidated statement of financial position. These transactions do not affect the BBVA Peru' Group profit or loss. As of December 31, 2022, it mainly correspond to treasury transactions: i) acquisition and sale of currency for S/291 million (S/ 176 million As of December 31, 2021), and ii) sale of securities for S/ 646 million (S/ 296 million As of December 31, 2021).

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Notes to the consolidated financial statements (continued)

- (b) The movement of intangible assets as of December 31, 2022 and 2021 was as follows:

	2022 S/(000)	2021 S/(000)
Costs		
Balances as of January 1	690,545	540,615
Additions	179,414	149,935
Disposal and other	(4)	(5)
Balances as of December 31	869,955	690,545
Accumulated amortization and impairment		
Balances as of January 1	(371,638)	(254,949)
Amortization	(107,066)	(99,917)
Impairment (*)	(45,536)	(31,146)
Disposals and other	32,346	14,376
Balances as of December 31	(491,894)	(371,636)
Net carrying amount	378,061	318,907

- (*) The carrying amounts of applications acquired or software developed that are not used or do not generate future economic benefits are stated as a provision for impairment.

- (c) As of December 31, 2022 and 2021, advance payment mainly includes prepaid insurance contracts and deferred loan origination costs related to fees paid to the external sales force.

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Notes to the consolidated financial statements (continued)

12. Deposits and Obligations with the public and financial institutions

As of December 31, this caption comprises the following:

	2022 S/(000)	2021 S/(000)
Deposits and obligations		
Savings accounts	25,112,300	28,493,043
Demand deposits	22,483,924	24,887,037
Time deposits	18,222,052	9,725,296
Other liabilities	235,476	91,485
	<u>66,053,752</u>	<u>63,196,861</u>
Deposits with financial institutions		
Demand deposits	603,166	472,489
Time deposits	192,859	344,051
Savings accounts	51,769	74,747
	<u>847,794</u>	<u>891,287</u>
	<u>66,901,546</u>	<u>64,088,148</u>

As of December 31, 2022 and 2021, deposits and obligations include deposits received as guarantees of direct and indirect loan for S/ 822 million and S/ 731 million, respectively.

Interest rates for liability transactions are stated by the Bank, based on current interest rates. Current interest rates As of December 31, 2022 and 2021 fluctuated as detailed below for the main products, respectively:

	2022		2021	
	Local currency %	Foreign currency %	Local currency %	Foreign currency %
Checking accounts	0.00 - 0.25	0.00 - 0.125	0.00 - 0.25	0.00 - 0.125
Savings accounts	0.00 - 0.50	0.00 - 0.25	0.00 - 0.125	0.00 - 0.125
Time deposits and bank certificates	0.01 - 4.00	0.01 - 1.10	0.01 - 1.35	0.01 - 0.80
Super deposit	1.10 - 3.50	0.15 - 0.75	0.01 - 1.35	0.01 - 0.25
Length-of-service compensation deposits	1.10 - 2.60	0.60 - 1.10	0.25 - 1.50	0.15 - 1.75

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Notes to the consolidated financial statements (continued)

As of December 31, 2022, from the total deposits and obligations from individuals and non-profit entities and legal entities, S/25,520 million are hedge by the Deposit Insurance Fund (S/24,935 million As of December 31, 2021) and are obtained from the average daily balances of the month according with SBS Resolution 0657-99. The maximum amount subject to hedge by person amounts to S/ 125,603 at the end of December 2022 (S/115,637 at the end of December 2021).

As of December 31, 2022, a portion of the time deposit balances of US\$ 24 million are hedged with a cash flow hedge (Note 8(ii))

On May 25, 2022 and April 8, 2021, by means of Law No 31480 and Law No31171, "Law that authorizes the provision of compensation for time of service in order to cover the economic needs caused by the Covid-19 pandemic", the Peruvian Government authorized workers to make free use of their full employees' severance indemnities (CTS) until December 31, 2023, deposited with financial institutions and accumulated at the date of disposal, including the deposits that were made in May and November 2022 and 2021 and the deposits that will be made in May and November 2023 to enable workers to meet their economic needs arising from the Covid-19 pandemic.

13. Debts and financial obligations

As of December 31, this caption comprises the following:

	2022 S/(000)	2021 S/(000)
Debts and Financial Obligations		
Foreign financial institutions (a)	956,420	1,534,994
MIVIVIENDA Program - MIHOGAR loan - Local financial system (b)	672,155	500,011
International financial organizations (c)	228,840	-
Corporación Financiera de Desarrollo - COFIDE (d)	5,143	19,627
Accrued interest payable	23,094	24,146
	<u>1,885,652</u>	<u>2,078,778</u>
Securities and obligations (d):		
Subordinated bonds	1,703,278	1,894,193
Corporate bonds	420,015	2,767,766
Accrued interest payable	27,992	68,252
Negotiable certificates of deposit	41	172
Notes (debt instrument)	-	31,394
	<u>2,151,326</u>	<u>4,761,777</u>
	<u>4,036,978</u>	<u>6,840,555</u>

Notes to the consolidated financial statements (continued)

Loan agreements include standard clauses regarding compliance with financial ratios, use of funds and other administrative matters. As of December 31, 2022 and 2021, in management's opinion, these clauses are being met, in all material respects, and do not represent any restriction to the BBVA Peru Group activities.

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Notes to the consolidated financial statements (continued)

- (a) As of December 31, 2022, the BBVA Peru Group maintains the following debt agreements with foreign financial institutions, which accrue interest at annual LIBOR rates ranging from +1.45% and 3.18% (Libor +0.52% and 5.00% As of December 31, 2021).

	2022		2021		Maturity date
	US\$(000)	S/(000)	US\$(000)	S/(000)	
BBVA S.A. (i)	200,765	765,720	200,000	797,400	February 2031
Mizuho Corporate Bank	50,000	190,700	50,000	199,350	November 2023
Wells Fargo Bank	-	-	100,000	398,700	May 2022
ICO - Instituto de crédito	-	-	35,000	139,544	August 2022
	<u>250,765</u>	<u>956,420</u>	<u>385,000</u>	<u>1,534,994</u>	
Accrued interest payable	<u>5,555</u>	<u>21,187</u>	<u>5,748</u>	<u>22,917</u>	
	<u>256,320</u>	<u>977,607</u>	<u>390,748</u>	<u>1,557,911</u>	

- (i) It corresponds to a subordinated loan in foreign currency agreed at an annual interest rate of 3.18% for the first 5 years, and for the remaining years a new rate will be set. Such a loan is accounted for as a Level 2 regulatory capital. The fair value of this issuance is hedged with an "interest rate swap - IRS", which has resulted in cumulative losses of S/ 3 million as of December 31, 2022.

As of December 31, 2022 and 2021, the BBVA Peru Group has deferred issuance expenses in accounts payable for S/ 2 million for both periods.

- (b) As of December 31, 2022, it corresponds to resources for the financing of the acquisition of houses under the MI VIVIENDA program (MI HOGAR credit) for S/ 664 million in local currency and US\$ 0.2 million in foreign currency (S/ 498 million in local currency and US\$ 0.5 million in foreign currency As of December 31, 2021). As of December 31, 2022 and 2021, this loan accrues interest at an effective annual rate in US dollars of 7.75% and in soles of 6.25% on the principal plus the Constant Update Value (VAC) in both periods, and has maturities until December 2042 and December 2041, respectively.

As of December 31, 2022 and 2021, debts with MIVIVIENDA fund are guaranteed with mortgage loan portfolio up to S/ 664 million and S/ 500 million, respectively (note 7). These loans include specific agreements on how the funds should be used, the financial conditions that the final borrower must maintain, as well as other administrative matters.

- (c) As of December 31, 2022, this balance includes a borrowing of US\$ 60 million with IFC (International Finance Corporation) with maturity in December 2027 and agreed at an annual interest rate of 3.11%. Also, cash flows are hedged with a cross currency swap - CCS (Note 8(ii)) and this transaction reflects a balance of payables of S/ 2 million comprising deferred issuance expenses.

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Notes to the consolidated financial statements (continued)

(d) As of December 31, 2022 and 2021, securities and bonds are as follows:

Program	Amount authorized by program	Currency	Original amount placed	2022	2021	Maturity date
Corporate bonds						
2nd issuance series A - Fifth Program	USD 250 million	PEN	150,000	150,000	150,000	December 2026
2nd issuance series A - Seventh Program		PEN	100,000	100,000	100,000	July 2023
2nd issuance series B - Seventh Program		PEN	73,465	73,465	73,465	August 2023
2nd issuance series C - Seventh Program		PEN	96,550	96,550	96,550	December 2024
1st issuance series D - Seventh Program	USD 1,000 million	PEN	120,000	-	120,000	July 2022
1st issuance series E - Seventh Program		PEN	65,520	-	65,520	August 2022
1st issuance series F - Seventh Program		PEN	150,000	-	150,000	October 2022
First Program of international Issuance (i)	USD 500 million	USD	500,000	-	2,012,231	August 2022
				<u>420,015</u>	<u>2,767,766</u>	
Subordinated bonds						
2nd issuance series A - First Program	USD 50 million or S/ 158.30 million	USD	20,000	-	79,507	May 2027
3rd issuance series A - First Program		PEN	55,000	93,580	86,291	June 2032
2nd issuance series A - Second Program		PEN	50,000	83,317	76,827	November 2032
3rd issuance series A - Second Program		USD	20,000	76,280	79,740	February 2028
4th issuance single series - Second Program	USD 100 million	PEN	45,000	72,363	66,727	July 2023
5th issuance single series - Second Program		PEN	50,000	79,366	73,183	September 2023
6th issuance series A - Second Program		PEN	30,000	46,799	43,153	December 2033
1st issuance single series - Third Program	USD 55 million	USD	45,000	171,630	179,415	October 2028
First Program of international Issuance I - Single issuance (ii)	USD 300 million	USD	300,000	1,079,943	1,209,350	September 2029
				<u>1,703,278</u>	<u>1,894,193</u>	
Negotiable certificates of deposit				<u>41</u>	<u>172</u>	
Bills (iii)						
2nd issuance of bills - Series 2012-C y 2012-D	US\$ 235 million	USD	235,000	-	31,394	June 2022
				<u>-</u>	<u>31,394</u>	
Accrued interest payable				<u>27,992</u>	<u>68,252</u>	
				<u>2,151,326</u>	<u>4,761,777</u>	

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Notes to the consolidated financial statements (continued)

- (i) In August 2012, the Bank carried out an international issuance of corporate bonds for a nominal amount of US\$ 500 million, at a fixed annual rate of 5.00%, and maturing in August 2022; Principal payment was made in full at maturity. The fair value of this issuance had an accounting hedge through an "interest rate swap - IRS", which has generated accumulated losses of S/ 19 million as of December 31, 2021.
- (ii) In September 2014, the Bank issued subordinated bonds in the international market for a face value of US\$ 300 million, at an annual fixed rate of 5.25%, and with maturity in September 2029. The main payment shall be carried out in full on its maturity date. As of December 31, 2022, fair value of this issuance has been hedged with "interest rate swap - IRS", which has generated accumulated gains of S/ 60 million (accumulated losses for S/ 18 million as of December 31, 2021).
- (iii) As of December 31, 2021, bills issued in June 15, 2012 for US\$ 8 million, include a loan for US\$ 3 million and have accounting hedge through interest rate swaps contracts (note 8(ii)). Likewise, it corresponds to a loan for US\$ 5 million, agreed at annual fixed interest rate of 5.00%, which has been hedged with interest rate swaps. As of December 31, 2021, such loan has generated accumulated losses for S/ 0.1 million.

These financings were guaranteed by present and future flows generated by customers' electronic payment orders (Diversified payments rights - DPR's). Likewise, Management considers that it has complied with the compliance clauses related to the Bank's financial ratios, and other specific conditions related to the transferred flows.

As of December 31, 2022, corporate bonds do not have specific collaterals and accrue interest at effective annual interest rates ranging in local currency from 4.40% and 7.50% (3.90% and 7.50% as of December 31, 2021). In foreign currency accrue interest at effective annual interest rates of 5.00% as of December 31, 2021.

Subordinated bonds have been issued in accordance with the Banking Law, and accrue interest at a rate ranging from constant update value plus a spread for local currency, and from 5.30% and 6.50% in foreign currency, as of December 31, 2022 and 2021.

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

As of December 31, 2022 and 2021, BBVA Peru Group have in accounts payable a balance of S/ 5 million and S/ 6 million, respectively, which corresponds to deferred issuance expenses.

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Notes to the consolidated financial statements (continued)

14. Accounts payable, provisions and other liabilities

As of December 31, this caption comprises the following:

	2022 S/(000)	2021 S/(000)
Accounts payable		
Repurchase agreements with BCRP (a)	10,505,016	16,217,008
Accounts payable to suppliers	878,397	469,926
Other accounts payable (b)	478,266	139,813
Premium to deposit insurance fund, contributions and obligations with tax collecting institutions	203,842	174,252
Dividends, interest and remunerations payable	147,698	130,263
Interest payable	74,023	25,273
	<u>12,287,242</u>	<u>17,156,535</u>
Provisions		
Labor provisions and others	632,031	480,846
Provision for litigations, claims and other contingencies (d)	281,321	302,670
Provision for indirect loans (e)	251,427	244,106
	<u>1,164,779</u>	<u>1,027,622</u>
Other liabilities		
Transactions in progress (c)	974,957	532,375
Deferred income and others	77,099	74,712
	<u>1,052,056</u>	<u>607,087</u>
	<u>14,504,077</u>	<u>18,791,244</u>

- (a) As of December 31, 2022, it corresponds to repurchase agreements of the loan portfolio of the Reactiva Peru program for S/ 5,408 million (S/ 10,677 million as of December 31, 2021), repurchase agreements of rescheduled loans for S/ 4,901 million (S/ 4,942 million as of December 31, 2021) and repurchase agreements of certificates of deposits with the BCRP for S/ 196 million (S/ 598 million as of December 31, 2021).

As of December 31, 2022 and 2021, repurchase agreements of the loan portfolio of the Reactiva Peru program mature in December 2025 and accrue interest at annual interest rates of 0.50%. Also, repurchase agreements of rescheduled loans mature in September 2025 and accrue interest at annual interest rates ranging from 0.50% to 3.50% for both periods.

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Notes to the consolidated financial statements (continued)

- (b) As of December 31, 2022, it includes S/ 74 million insurance on behalf of borrowers (S/ 35 million As of December 31, 2021) and S/ 279 million for short-term sale transactions (S/ 24 million as of December 31, 2021).
- (c) BBVA Peru Group has several pending court claims, litigation and other processes that are related to the activities it develops, and in the opinion of Management and its legal advisors, they will not result in additional liabilities to those registered.
- (d) Movement in the loss allowance for indirect loans is as follows:

	2022 S/(000)	2021 S/(000)
Balance at the beginning of the year	244,106	247,027
Provisions	114,069	113,519
Recovery and reversals	(100,908)	(120,060)
Exchange difference and other adjustments	(5,840)	3,620
Closing balance	251,427	244,106

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

	2022 S/(000)	2021 S/(000)
Specific	129,753	123,905
Generic	108,182	105,961
Provision for country risk	13,492	14,240
	251,427	244,106

- (e) Transactions in progress are mainly those carried out during the last days of the month and are reclassified in the following month to their final accounts in the consolidated statement of financial position. These transactions do not have an impact on the Bank's profit or loss. As of December 31, 2022, liability transactions in progress mainly include treasury transactions for S/ 647 million (S/ 350 million as of December 31, 2021).

Notes to the consolidated financial statements (continued)

15. Equity

(a) Effective capital and legal limits -

In accordance with the Banking Law, regulatory capital amount could not be less than 10% of the assets and indirect loans weighted per credit risk, market and operational risk, which are calculated by the Bank and by EDPYME using the standard method.

By means of Legislative Decree No 1531 dated March 19, 2022, the Peruvian banking law was amended to adopt the Basil III capital standards and approach; major changes include: composition of regulatory capital (patrimonio efectivo in Peru), requirement of minimum ratios, powers in the event of noncompliance with solvency requirements, among others. The SBS, by means of general purpose standards, set the form and due dates for adequacy. On December 27, 2022 by means of SBS resolution No 03952-2022, the minimum solvency requirements were set in article 199 of the General Banking Law with the following adequacy due dates.

Period	Minimum ordinary capital requirement	Minimum regulatory capital requirement	Global limit
	Level 1	Level 1	
January 2023 to March 2023	3.825%	5.10%	8.5%
April 2023 to August 2023	4.05%	5.40%	9.0%
September 2023 to February 2024	4.275%	5.70%	9.5%
March 2024 and later	4.50%	6.00%	10.0%

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Notes to the consolidated financial statements (continued)

As of December 31, 2021, the effective equity of the Bank, determined according to current legal regulations, is S/ 12,885 million (S/ 11,919 million as of December 31, 2021):

	2022 S/(000)	2021 S/(000)
Level 1		
Common shares	7,382,184	6,758,467
Plus		
Legal reserve	2,244,747	2,052,610
Profit or loss for the year under capitalization agreement		-
Less		
Investments in subsidiaries and other deductions	(39,692)	(163,328)
	<u>9,587,239</u>	<u>8,647,749</u>
Level 2		
Plus		
Subordinated debt	762,800	797,400
Subordinated bonds	1,519,295	1,680,327
Generic provisions for loans	1,055,237	957,001
Less		
Investments in subsidiaries and other deductions	(39,692)	(163,328)
	<u>3,297,640</u>	<u>3,271,400</u>
Total regulatory capital (patrimonio efectivo)	<u>12,884,879</u>	<u>11,919,149</u>

The rules the application of the additional regulatory capital requirement approved by SBS resolution No 8425-2011 (published on July 20, 2011) and subsequently amended by SBS resolution No 3921-2021 (published on December 23, 2021), sets forth that that the additional regulatory capital requirement shall be equal to the sum of the regulatory capital requirements calculated for each of the following component: credit concentration risk (individual and sectorial), market concentration risk, interest risk in the banking book and other risks. As of December 31, 2022 and 2021, the additional regulatory capital requirement for the bank is S/1,754 million and S/1,067 million, respectively.

Further, by means of Official Letter No 2097-2022-SBS dated January 19, 2022 the SBS set forth that the Bank shall keep levels of capital stock, legal reserve and deductions set out in article 184 of the Peruvian General Law, so that, when measuring the solvency level only based on those components, the Bank's solvency ratio is kept above 10%. As of December 31, 2022, the Bank's solvency ratio totals 10.34%.

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As of December 31, 2022, the balance of contingent asset and liabilities weighted by credit risk, market risk and operational risk under current regulations was S/92,296 million (S/84,328 million as of December 31, 2021). Also, the Bank's global capital ratio by credit risk, market risk and operational risk is 13.96% (14.13% as of December 31, 2021).

It should be noted that the regulatory capital is a figure also used to calculate certain limits and restrictions applicable to the Bank and which Management considers the Bank has fully complied with.

(b) Share capital -

As of December 31, 2022 and 2021 and 2020, the Bank's authorized, subscribed, and paid-in capital is represented by 7,382,184 and 6,758,467 thousand of ordinary shares, respectively, with a face value of S/ 1.00 each.

The General Shareholders' Meeting held on March 31, 2022 and March 24, 2021 approved the increase in share capital for S/ 624 million and S/ 229 million, respectively, through the capitalization of retained earnings.

As of December 31, 2022 and 2021, shareholding on the Bank's share capital is as follows:

	2022		2021	
	Nº of shareholders	Interests %	Nº of shareholders	Interests %
Up to 1	8,601	6.62	7,952	6.13
From 1.01 to 5	1	1.14	1	1.63
From 45.01 to 100	2	92.24	2	92.24
	<u>8,604</u>	<u>100.00</u>	<u>7,955</u>	<u>100.00</u>

(c) Reserves -

In accordance with the Banking Law, the Bank is required to have a legal reserve of more than 35.00% of the paid-in-capital. This legal reserve shall be recognized by an annual transfer of more than 10% of profit after tax. It shall replace the reserve referred to in the Companies Act. In accordance with the Banking Law, the amount of this reserve may also be increased with contributions made by the shareholders for this purpose.

At the General Shareholders' Meeting, held on March 31, 2022 and March 24, 2021, the decision was made to approve to record the legal reserve for the amount equivalent to 10% of 2021 profits (S/ 156 million) and 2020 (S/ 66 million), respectively.

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Notes to the consolidated financial statements (continued)

(d) Adjustments to equity -

As of December 31, 2022 and 2021, unrealized profit or loss, net of deferred tax, was as detailed below:

	2022 S/(000)	2021 S/(000)
Available-for-sale investments, note 6	(79,310)	(41,691)
Cash Flows hedges, note 8	(26,016)	(4,799)
Other comprehensive income of associates	195	304
Actuarial liabilities	14,079	13,482
	<u>(91,052)</u>	<u>(32,704)</u>

(e) Retained earnings -

At the General Shareholders' Meeting, held on March 31, 2022 and March 24, 2021, the decision was made to approve the capitalization of retained earnings for S/ 624 million and S/ 229 million, respectively, dividend distribution and have an amount of S/ 780 million and S/ 295 million in 'retained earnings,' respectively.

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

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

16. Contingent risks and commitments

As of December 31, this caption comprises the following:

	2022 S/(000)	2021 S/(000)
Indirect loans		
Guarantees and letters of guarantee	16,603,204	15,570,107
Letters of credit and banker's acceptance	<u>1,309,834</u>	<u>1,411,387</u>
	<u>17,913,038</u>	<u>16,981,494</u>
Unused credit lines and undisbursed loans granted	18,320,926	15,308,712
Various responsibilities	<u>6,102</u>	<u>6,379</u>
	<u>36,240,066</u>	<u>32,296,585</u>

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

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

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

Management estimates that no significant losses will arise, for contingent transactions effective As of December 31, 2022 and 2021.

17. Interest income

This caption comprises the following:

	2022 S/(000)	2021 S/(000)
Direct loan portfolio	5,019,347	4,016,619
Investments at fair value through profit or loss	224,683	58,096
Available-for-sale investments	216,645	74,597
Cash and due from banks	175,312	30,553
Profit or loss on hedge transactions	92,111	87,551
Interbank funds	6,753	547
Other finance revenue	4,312	5,553
	<u>5,739,163</u>	<u>4,273,516</u>

18. Interest expenses

This caption comprises the following:

	2022 S/(000)	2021 S/(000)
Deposits and obligations	(627,030)	(150,359)
Debts and financial obligations	(312,358)	(351,390)
Accounts payable	(116,181)	(95,085)
Deposits with financial institutions	(20,560)	(7,019)
Interbank funds	(13,522)	(738)
Other borrowing costs	(36,195)	(30,382)
	<u>(1,125,846)</u>	<u>(634,973)</u>

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Notes to the consolidated financial statements (continued)

19. Income from financial services, net

This caption comprises the following:

	2022 S/(000)	2021 S/(000)
Revenue		
Revenue from fees of credit cards	374,933	294,514
Transfer fees	286,404	274,243
Revenue from indirect loans	263,715	246,878
Revenue from fees for collections services	157,961	147,518
Revenue from online banking services for business	70,670	56,886
Revenue from services and maintenance of checking accounts	53,761	55,357
Revenue from advisory services	25,551	16,093
Revenue from technical and legal studies	12,351	18,409
Revenue from cash services	8,885	5,279
Revenue from trust and trust fees	1,220	1,469
Other revenue for services	313,565	302,510
	<u>1,569,016</u>	<u>1,419,156</u>
Expenses		
Expenses for operating with Visa, Mastercard and Plin	(164,612)	(141,082)
Customer loyalty program	(148,802)	(98,360)
Premiums to the Deposit Insurance Fund	(114,443)	(107,034)
Government fund guarantee	(76,771)	(69,306)
Financial product sponsors	(73,220)	(44,019)
Transfers	(42,722)	(32,942)
Purchase of foreign currency - spot transaction	(9,615)	(12,309)
Expenses of maintenance of checking accounts	(5,465)	(5,299)
Other expenses of services	(39,959)	(35,408)
	<u>(675,609)</u>	<u>(545,759)</u>
	<u>893,408</u>	<u>873,397</u>

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Notes to the consolidated financial statements (continued)

20. Profit or loss on financial transactions

The table below shows a detail:

	2022 S/(000)	2021 S/(000)
Exchange gains (losses) (note 4)	934,505	212,586
Gains (losses) on interests held	7,846	10,106
Investments at fair value through profit or loss	3,944	(35,800)
Available-for-sale investments	823	(42,079)
Derivatives held for trading	(277,628)	525,563
Profit or loss on hedging transactions	(91,939)	(36,675)
Other	42,945	38,687
	<u>620,496</u>	<u>672,388</u>

21. Administrative expenses

This caption comprises the following:

	2022 S/(000)	2021 S/(000)
Third party service expenses	(1,071,086)	(823,743)
Personnel and Board of Directors expenses	(1,024,888)	(928,619)
Tax and contributions	(50,378)	(52,640)
	<u>(2,146,352)</u>	<u>(1,805,002)</u>

22. Other income and expenses, net

As of December 31, 2022, it includes "Other income" of S/103 million mainly reflecting the reversal of contingent provisions of S/57 million, other income of S/18 million, revenue from leases of S/3 million and "Other expenses" of S/89 million, mainly including losses in sales of seized assets and recovered of S/21 million, customer claims of S/29 million and administrative and tax sanctions of S/8 million. As of December 31, 2021, this item shows "Other income" of S/87 million mainly reflecting the reversal of contingent provisions of S/17 million, other income of S/7 million, revenue from leases of S/5 million and "Other expenses" of S/97 million mainly including losses in sales of seized assets and recovered of S/1 million, customer claims of S/30 million and administrative and tax sanctions of S/7 million.

Notes to the consolidated financial statements (continued)

23. Tax situation

Tax rates

- (a) BBVA Peru is subject to the Peruvian tax regime. As of December 31, 2022 and 2021, the corporate income tax rate in Peru is 29.50% on the net taxable income determined individually by each of the companies that make up the Group.

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

The aforementioned Decree also established the amendment to the income tax rate applicable to dividend distribution and any other form of profit distribution to 5.00% for profits generated and distributed from January 1, 2017.

The rates applicable to income tax on dividends for the year 2017 and thereafter is 5.0%.

- (b) In accordance with current tax legislation in Peru, non-resident subjects are taxed only on their Peruvian source income. Thus, in general terms, the income obtained by subjects not domiciled for services rendered in our country are taxed with income tax at a rate of 30% on a gross basis, as long as the application of an Agreement to avoid the double taxation (CDI) that the country has signed and that is in force. Currently, Peru has CDIs in force with the Andean Community, Chile, Canada, Brazil, Portugal, Switzerland, Mexico, South Korea and Japan.

For the purposes of technical assistance services or digital services provided by non-resident subjects in favor of domiciled subjects, the place of provision will be indistinct, and in all cases they will be taxed with income tax at a rate of 15.00% and 30.00 % on gross basis, respectively. The rate applicable to technical assistance services will be 15.00%, provided that the requirements indicated in the Tax Law on Rent. As indicated in the previous paragraph, the withholding rate in these cases may vary or the withholding may even be inapplicable if the provisions of a current CDI are used.

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Notes to the consolidated financial statements (continued)

Income tax determination

- (c) The Bank and subsidiaries computed its tax base for the years ended December 31, 2022 and 2021 and determined consolidated current tax for S/ 754 million and S/ 692 million, respectively.

Tax expense per company comprises the following:

	2022 S/(000)	2021 S/(000)
Entities		
Banco BBVA Perú	733,717	666,389
BBVA Bolsa Sociedad Agente de Bolsa S.A.	1,100	1,071
BBVA Asset Management S.A. SAF	2,408	6,218
BBVA Sociedad Titulizadora S.A.	279	372
Inmuebles y Recuperaciones BBVA S.A.	4,001	4,761
BBVA Consumer Finance Edpyme en liquidación	10,912	11,797
Forum Comercializadora del Perú S.A.	2	-
Forum Distribuidora del Perú S.A.	1,444	1,114
	<u>753,863</u>	<u>691,722</u>

Tax expense comprises the following:

	2022 S/(000)	2021 S/(000)
Current tax	791,089	688,502
Deferred tax		
Profit or loss	(51,952)	(24,669)
Income tax (adjustment/provision recovery)	14,726	27,889
	<u>753,863</u>	<u>691,722</u>

Temporary tax on net assets

- (d) The Bank and subsidiaries are 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 provisions for credit risk. The tax rate is 0.40% 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 may be requested. Temporary tax on net assets for the year 2022 amounts to S/ 359 million (S/ 381 million in 2021).

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Notes to the consolidated financial statements (continued)

Financial transaction tax

- (e) For the years 2022 and 2021, the Financial Transaction Tax rate has been set at 0.005% and is applicable to charges and credits in bank accounts or movements of funds through the financial system, unless it is exempt.

Transfer pricing

- (f) For purposes of determining income tax, the transfer prices of transactions with related companies and with companies resident in territories with low or no taxation must be supported by documentation and information on the valuation methods used and the criteria considered. for your determination.

Until the 2016 taxable year, the formal Transfer Pricing obligations were given by the obligation to present the informative affidavit and have the technical study. As of January 1, 2017, through Legislative Decree No. 1312, published on December 31, 2016, the following formal obligations are established that replace the previous ones: i) submit the Local Report affidavit (as long as have income accrued over 2,300 UIT); ii) submit the Master Report affidavit (as long as the taxpayer has accrued income greater than 20,000 UIT); and, (iii) present the Country by Country Report affidavit (as long as the consolidated accrued income of the parent company of the multinational group for the previous year is greater than or equal to S/(000) 2,700). Both the Master Report and the Country by Country Report are required as of the 2018 taxable year. It should be noted that the Master Report is only on international operations and that BBVA Peru is not subject to submitting the Country by Country Report in accordance with the exceptions established in Superintendency Resolution No. 163-2018/SUNAT and the Regulations of the Income Tax Law.

Also, under the provisions of the above-mentioned Legislative Decree No. 1312 low valued-added intragroup services are not allowed to have a margin of more than 5.00% over cost; in respect to services rendered between related parties, taxpayers must meet the beneficial owner test requirement and furnish all relevant documentation that support the economic substance of transactions and count on with all information requested in minimum good conditions that are needed for tax deduction of costs or expense.

By means of Legislative Decree No. 1116 the Transfer Pricing rules were set to be not applicable for the purpose of determining VAT (IGV in Peru).

Through Legislative Decree No. 1381 published on August 24, 2018, the concept of "non-cooperative" countries or territories and preferential tax regimes are incorporated into the Income Tax Law, in respect of which the already existing defensive measures are imposed. for countries and territories with low or no taxation.

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Notes to the consolidated financial statements (continued)

Based on an analysis of the Bank's transactions, Management and its legal counsel consider that no significant contingencies arose from the application of these standards as of December 31, 2022 and 2021.

Tax assessment

- (g) The Tax Authority has the power to review and, if applicable, correct the income tax calculated by the Bank and its subsidiaries in the four years after the year of filing the tax return.

The sworn income tax returns subject to review by the tax administration of the companies that make up the BBVA Peru Group are the following:

Entity	Tax returns subject to audit
BBVA Bolsa Sociedad Agente de Bolsa S.A.	2018 - 2022
BBVA Asset Management Continental S.A. S.A.F.	2018 - 2022
BBVA Sociedad Titulizadora S.A.	2018 - 2022
Inmuebles y Recuperaciones BBVA S.A.	2018 - 2022
BBVA Consumer Finance EDPYME en liquidación	2018 - 2022
Forum Comercializadora del Perú S.A.	2018 - 2022
Forum Distribuidora del Perú S.A.	2018 - 2022

Management considers that no significant liabilities that may affect the Bank's profit or loss will arise from the tax claims and years subject to tax audits, under the provisions of IFRIC 23.

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

Sales tax regime (VAT or IGV in Peru)

- (h) Regarding the VAT, interest arising on securities issued by public or private offering by legal entities incorporated in Peru is not subject to VAT; and neither are the interest on the securities not placed via public offering, when they were acquired via a centralized mechanism of trading as described in the Peruvian Securities Market Law.

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Notes to the consolidated financial statements (continued)

Dated December 30, 2021 Legislative Decree No. 1519 was enacted to extend the effective period of the tax exemptions and benefit relating to the VAT, such as:

- Extension of Legislative Decree No. 783 governing the refund of taxes levied on acquisitions with foreign grants and imports of diplomatic missions and other as well as the VAT exemption on electronic money issuance by issuers of electronic money up until December 31, 2024.
- Amendment of Article 7 to the Peruvian VAT Law governing that exemptions contained in Appendices I and II will be effective until December 31, 2022. It should be noted that this standard became effective on January 1, 2022.

Uncertainty over income tax treatments

- (i) In accordance with IFRIC 23, the BBVA Peru Group assessed its uncertain tax treatments and concluded, based on its assessment of tax compliance and transfer pricing, that it is probable that the Tax Authorities will accept its uncertain tax treatment. The Interpretation did not have an effect on the Bank and Subsidiaries consolidated financial statements as of December 31, 2022 and 2021.

Major amendments to current tax laws

- (j) New accrual concept: Legislative Decree 1425 introduced the definition of "legal accrual" for income tax purposes, stating that: a) revenue from transfer of goods occurs when i) control has been transferred (under IFRS 15); or ii) risk has been transferred to the acquirer (Risk Theory set out in the Civil Code), whichever occurs first; and b) revenue from rendering the service occurs when realization level of the rendered service has been established.
In general, the new criteria set for income tax determination will matter if the substantial facts underlying revenue-earning or expense-incurring activities occur as agreed by the parties, facts that are not subject to a suspensive condition; in which case, revenue shall be recognized when that condition is met regardless of the timing of collection or payment; and, whenever the determination of the consideration depends on a future event or fact, the proportional portion or total revenue or expense would be deferred until the relevant event or fact actually occurs.

The new legal accrual concept is applicable to lessees when determining the tax treatment of the expense associated with lease arrangements regulated by IFRS 16.

The new "legal accrual" concept requires the necessary reconciliation between the financial recognition of revenue, costs and/or expenses and their related recognition for tax purposes because the "legal accrual" concept differs from the financial accrual concept.

Finally, it is worth indicating that this new concept shall not be applicable by those entities which accrue revenue or expenses for income tax purposes under the provisions of a special tax regime (industry-specific) of accrual.

Notes to the consolidated financial statements (continued)

(k) 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. If there is any financial expense balance that is not expected to be absorbed as an expense over a given year under the new rule of thin capitalization effective from January 1, 2021, it can be offset against the entity's income that is obtained over the four (4) following fiscal years (for example, four year carry forward) at the end of which, the balance will be considered expired and give rise to permanent differences. There are some exemptions regarding this 30% limit for banks, taxpayers whose income is lower than 2,500 Peruvian 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 governs the calculation of tax-EBITDA for the purpose of setting interest rate limits.

For the fiscal 2019 and 2020, finance costs arising from debts of independent and related parties are subject to the thin capitalization limit of three times the net equity as of December 31 of the prior period.

(l) Accelerated depreciation of fixed assets -

A special regime of accelerated depreciation was set up, on an exceptional and temporary basis, for taxpayers under the Peruvian income tax general regime as well as an amendment of the periods of depreciation by increasing the depreciation rates on certain assets, under the provisions of Legislative Decree No. 1488. This regime is applicable from fiscal 2021.

It should be noted that under Law No. 31107 published on December 31, 2020, the aforementioned Legislative Decree No. 1488 was amended. Some of the major changes introduced were depreciation of buildings and constructions under an annual rate of 20% can be done until those assets are fully depreciated or only during fiscal 2021 and 2022. The taxpayer must opt for one of the two options at the time of filing its income tax return, and the choice made cannot be changed.

(m) Deduction of expenses or costs incurred in transactions with non-domiciled parties: -

Legislative Decree No. 1369 requires that costs and/or expenses (including "outbound" interest) incurred with non-resident counterparties must have been effectively paid in order to be deductible in the year in which they were incurred up to before the expiration of the term for the presentation of the annual affidavit. Otherwise, its impact on the determination of the net income will be deferred to the year in which cash is paid, opportunity in which the corresponding withholding will be applied.

Such piece of regulation removed the obligation to pay the amount of the withholding on the amount accounted for as cost and/or expense.

Notes to the consolidated financial statements (continued)

- (n) Indirect tax credit -
Effective January 1, 2019, under certain requirements, domiciled entities receiving foreign inbound dividends may deduct as direct tax credit the income tax that may have been levied foreign dividends and the corporate income tax (indirect tax credit) 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.
- (o) Permanent establishments -
Effective January 1, 2019, permanent establishments of unipersonal entities, partnerships and entities of any nature incorporated overseas. For this purpose, new assumptions of permanent establishments have been included, such as, the service completed in Peru to the same project, service or for a related one for a period not exceeding 183 calendar days within any given period of twelve months.
- (p) Measures for the enforcement of the anti-tax-avoidance general clause contained in Standard XVI of the Peruvian Tax Code -
Legislative Decree 1422 sets up the procedure to implement the General Anti-avoidance Rule, mainly stating that: (i) it is applicable only in final audit procedures in which acts, events or situations that occurred since July 19, 2012 are reviewed; (ii) it is applicable only if there is a favorable opinion (unappealable) from a review committee composed of Tax Authorities' officers; and (iii) final tax 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

It should be noted that, at the reporting date, the General Anti-avoidance Rule is in full effect together with the application of Standard XVI of the Peruvian Tax Code.

Dated May 6, 2019 Supreme Decree 145-2019-EF, was published on the official newspaper of Peru "El Peruano," approving all the formal and substantial parameters for the application of the General Anti-avoidance Rule provided in the Standard XVI of the Peruvian Tax Code.

Consequently, the requirement to end the suspension of the application for such rule, established by Law 30230, is deemed fulfilled. Likewise, the Regulation for Tax Audits performed by SUNAT has been modified accordingly.

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

Notes to the consolidated financial statements (continued)

- (q) Joint and several liability of legal representatives and directors of entities -
Effective September 14, 2018, through Legislative Decree 1422, when an audited individual is subject to the General Anti-Tax-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 attributable to such representatives provided that they collaborated with the design or approval or execution of acts, situations or economic relationships with a tax-avoidance purpose.

The regulation also involves the members of the Board of Directors of companies, by noting that these subjects are responsible for defining the tax strategy of the companies in which they are directors, and they must decide whether or not to approve acts, situations or economic relations to be carried out in the framework of tax planning, being non-delegable - according to the norm in comment - this attribution of the Directors.

Members of domiciled entities' Board of Directors were granted until March 29, 2019 to ratify or modify the acts, situations or economic relationships carried out within the tax planning framework and implemented from September 14, 2018 that have tax effect up to the current date.

Nonetheless the aforementioned maximum term for complying with this formal requirement and considering that such joint and several liability attributable to legal representatives and directors, and the absence of a definition of "tax planning," it will be critical for entities to review any act, situation or economic relationship that has: (i) increased tax liabilities; and/or (ii) generated a lower payment of taxes for such periods, in order to prevent any joint and several liability from arising, both from an administratively and criminal perspectives, depending on the tax audit criteria, in the event the aforementioned clause es applied to the entity on the occasion of a tax audit by SUNAT.

- (r) Information about beneficial owners -
In the framework of the regulations to strengthen the fight against tax evasion and tax avoidance, as well as against money laundering and terrorism financing, effective August 3, 2018, the provisions introduced by Legislative Decree No. 1372 are currently in force. The aforementioned Decree requires the presentation of information related to the beneficial owners to the competent authorities through a sworn statement on the ultimate beneficiaries. Such statement shall disclose the names of the individuals that actually hold title, ownership or control. Thus, it is mandatory to report the following: (i) identification of the beneficial owner; (ii) chain of title with its respective supporting documentation; and (iii) identification of third parties that have said information, if applicable. Also, it states that the information related to the identification of the beneficial owners 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 or rule.

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Note that on December 23, 2022, Superintendency Resolution 000278 2022/SUNAT was published, establishing that legal entities must submit the Declaration of Final Beneficiary up to the dates established for compliance with the monthly obligations corresponding to the period of December 2023, modifying the original presentation date corresponding to December 2022.

On the other hand, it should be noted that SUNAT Resolution No. 000041-2022/SUNAT established that entities which reported net revenue in 2021 of more than of 300 UIT (S/ 1,380,000.00) and up to 500 UIT (S/ 2,300,000.00), and which were not required to file the Sworn Statement on Beneficial Owner previously in fiscal 2022, shall file such a statement for fiscal period May 2023, based on the last digit of the Peruvian taxpayer number (RUC) of the entities subject to the requirement, in line with the timetable of monthly tax obligations of fiscal 2023.

It should be noted that if the informative sworn statement containing the information about the beneficial owner is not submitted, the legal representatives of the entity that failed to comply with that filing will be considered jointly and severally liable.

On December 16, 2019 and June 20, 2022, the Bank comply with filing the sworn statement on beneficial owner on the date set in the monthly tax obligation timetable.

(s) Indirect disposal of shares -

As of January 1, 2019, an anti-avoidance rule is incorporated to avoid the division of operations, through which, indirectly, shares of companies domiciled in Peru are sold. In this sense, Peruvian source income is considered to be that obtained from the indirect sale of shares or participations representing the capital of legal persons domiciled in the country. For such purposes, it must be considered that an indirect sale occurs when shares or participations representing the capital of a legal person not domiciled in the country are sold, which, in turn, is the owner directly or through another person or persons of shares or participations representing the capital of one or more legal entities domiciled in the country, provided that the conditions established by Law No. 30341 occur concurrently.

In order to determine whether 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 relatedness shall be set up in accordance with the provisions of section b) of Article 32-A of Income Tax Law

Likewise, regardless of compliance with the provisions of the Income Tax Law, an indirect taxable transfer shall always occur 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 Peruvian tax units (UITs).

Notes to the consolidated financial statements (continued)

Further, from the effective date stated above, 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 severally liable party. Thus, the latter is required to provide, among other information, that about the transferred shares or interests of the non-domiciled legal person.

Per Legislative Decree No. 1262 amending Law No. 30341, the law promoting the integration of the securities market and by means of Emergency Decree No. 005-2019, the income obtained from the disposal of the following securities is exempted from income tax until December 31, 2022: a) common shares and investment shares b) American Depositary Receipts (ADR) and Global Depositary Receipts (GDR), c) Units of Exchange Trade Fund (ETF) with underlying items such as shares and debt instruments, d) Debt instruments, e) Certificates of ownership interest in mutual funds for investments in securities, f) Certificates of ownership interest in Investment Fund of Real- Estate Assets (Fondo de Inversión en Renta de Bienes Inmuebles - FIRBI) and certificates of ownership interest in securitization trusts (Fideicomiso de Titulización para Inversión en Renta de Bienes Raíces - FIBRA).

For common shares and investment shares, ADRs, GDRs and bonds convertible in shares, the following requirements should be met:

1. Disposal should be carried out via a centralized trading mechanism under the oversight of the securities market regulator (Superintendence of the Securities Market-SMV).
2. Over a period of 12 months, a taxpayer and related parties do not transfer via one or more simultaneous or successive transactions, the ownership of 10 percent or more of the securities issued by the entity. For ADR and GDR, this requirement is determined based on the underlying shares.
If this requirement is not met, the taxable income is determined based on the transfers that that would had been exempted over the 12 months prior to the disposal. The relatedness is determined based on the provisions in subsection b, article 32-A of the Law.
3. Securities should be listed.
For all the securities involved, disposal is required to be completed via a centralized trading mechanism under the oversight of the SMV and they should be listed. With respect to negotiable invoices, the only requirement is that the disposal be completed via a centralized trading mechanism under the oversight of the SMV.

Finally, one cause for loss of exemption includes the fact an issuer delist its securities from the local stock exchange registry, either fully or partially, in one single act or progressively within a time span of 12 months following the date of disposal. Exemptions are to be determined under the relevant regulations.

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Without prejudice of the above, on December 30, 2022 Law No. 31662 was published to extend until December 31, 2023 an income tax exemption on the disposal of securities carried out on the local stock exchange (BVL) as previously instated and set forth the following:

1. The income tax exemption is applicable to capital gains earned by an individual, undivided succession or matrimonial regime who opted to be pay taxes as such.
2. The income tax exemption is applicable to the first 100 UITs of capital gains earned in each taxable fiscal year.

The requirements originally set in Law No. 30341, Law promoting the liquidity and integration of the securities market are kept unchanged regarding the listed status of the securities and keeping ownership of at least 10% of the securities issued by the entity.

(t) Information to be provided to SUNAT -

By means of Supreme Decree No. 430-2020-EF, published on December 31, 2020, the relevant Rules were approved stating the financial information that financial system entities must furnish to SUNAT for the fight against tax evasion and tax avoidance under the provisions of Legislative Decree No. 1434. Such Rules became effective on January 1, 2021.

In addition, the aforementioned Rules specified that the items on which the Bank should report to SUNAT are, among others, the cumulative balances and/or amounts, average or the highest balances and the return obtained on accounts for the reporting period and which equal or exceed S/30,800 over that period. The information will be submitted to SUNAT on a semiannual basis, via informative tax returns that will contain information for monthly periods.

(u) Income Tax Exemptions -

By means of Law No. 31106 all exemptions effective at that date as contained in article 19 of the Peruvian income Tax Law will be extended until December 31, 2023.

In this regard, some of the aforementioned extended exemptions applicable or related to the Bank's operations to benefit individual taxpayers are the following:

- Subsection i) Article 19 states that the exemption covers any type of fixed rate or floating rate interest, in local or foreign currency, that is paid on a deposit or balance pursuant to the General Law of the Financial System and the Insurance System and Comprehensive Law of the Peruvian Banking and Insurance Regulator, Law No. 26702, as well as any capital increases in those deposits or balances in local or foreign currency, excepted when those inflows are third category (corporate) income.

Notes to the consolidated financial statements (continued)

- Subsection I) of Article 19 states that capital gains obtained from the disposal/sales of securities registered with the local securities market (Registro Público del Mercado de Valores) via the centralized trading mechanisms set under the Peruvian Securities Market Law; as well as capital gains on disposal/sale of securities outside centralized trading mechanisms provided that the selling party is an individual, an undivided succession or a matrimonial regime that chose to pay taxes as such.

- (v) Bancarization Law -
On March 3, 2022 Legislative Decree No. 1529 was published amending the Bancarization law (Ley de Bancarización) to promote the use of formal means of payment and reduce the amount at which formal means of payments are required to be used, as follows:
 - The minimum amount at which formal Means of Payments should be used is two thousand soles (S/ 2 000) or five hundred U.S. dollars (US\$ 500).
 - In order to improve the coverage of Means of Payment and thus expand the set of traceable operations, Article 3 of the Banking Law was modified in order to indicate that the payment of sums of money from the operations indicated in Said article, for amounts equal to or greater than 1 UIT, even when it is partially carried out, can only be made using Means of Payment provided for in the Law.
 - Payment of obligations to non-domiciled individuals and/or legal entities that need to be made using the statutory Means of Payment can be made effective using non-domiciled ESF financial institutions; in those cases in which the payer makes foreign trade transactions, including obligations derived from the acquisition of land and rights to shares and other securities.
 - The requirement to use Means of Payment is considered met if the payment is made directly to the creditor, supplier and/or service provider, or whenever such payment is made to a third party designated by one of the above, as long as such designation is reported to SUNAT prior to payment.
 - The requirement to use Means of Payment will not be considered met in any case when the payments are made effective via financial institutions or banks that are based in or have permanent establishments in territories or countries considered as tax havens.

This piece of legislation became effective on April 1, 2022, except for the amendment related to payments via the non-domiciled financial system entities that are based in tax havens, which would become effective on January 1, 2023.

- (w) On March 26, 2022 Legislative Decree No. 1539 was published amending the Peruvian Income Tax Law to include new methods to determine the market value of securities in transactions between unrelated third parties. This piece of legislation would become effective in January 1, 2023.

Notes to the consolidated financial statements (continued)

- (x) On January 24, 2022 SUNAT Resolution No. 000281-2022/SUNAT was published setting the timetable for taxpayers to meet its monthly tax obligations for fiscal 2023. In this context, considering that filing the Common Standard Reporting for fiscal 2022 with SUNAT should be made in adherence to the timetable set for monthly tax obligations for the period of April 2023, the due dates set in such timetable should be adhered to.

It should be noted that on the due dates contained in that timetable, financial institutions are required to report all required financial information to SUNAT as follows:

- Preexisting accounts of individuals (high and low value) as of December 31, 2022.
 - Preexisting accounts of (reportable) entities as of December 31, 2022.
 - New accounts of individuals as of December 31, 2022.
 - New accounts of entities as of December 31, 2022.
- (y) Deducibility of provisions for loans -
- In 2020, Ministry Resolution 387-2020-EF/15 was published to state that the provisions made for COVID 19 rescheduled loans, as described in the relevant regulations (Octava Disposición Final y Transitoria del Reglamento para la Evaluación y Clasificación del Deudor y la Exigencia de Provisiones), approved under SBS resolution No. 11356-2008, as amended by SBS resolution No. 3155-2020, meet altogether the requirements set out in subsection h), Article 37 of the Peruvian Income Tax Law, with regulations per subsection e), Article 21 of the Rules. In this sense, these provisions must be treated as specific provisions and must be accepted for tax purposes by SUNAT.

On December 31, 2021 Ministry Resolution No. 394-2021-EF/15 was published to state that provisions for COVID 19 rescheduled loans, as described in the relevant regulations (Novena Disposición Final y Transitoria del Reglamento para la Evaluación y Clasificación del Deudor y la Exigencia de Provisiones), approved under SBS resolution No. 11356-2008, meet altogether the requirements set out in subsection h), Article 37 of the Peruvian Income Tax Law. In this respect, subsection h), Article 37 of the Peruvian Income Tax Law states that financial system entities are allowed to deduct from its gross incomes those provisions that meet all the following requirements:

- these are specific provisions
- these are provisions that are not part of the regulatory capital (patrimonio efectivo) and
- these are provisions solely related to credit risk, classified into the categories of With potential problems, Substandard, Doubtful and Loss.

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Notes to the consolidated financial statements (continued)

24. Deferred income tax

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

	Balance At 01.01.2021 S/(000)	Additions (recoveries) of equity S/(000)	Additions (recoveries) to profit or loss S/(000)	Balance as of 31.12.2021 S/(000)	Additions (recoveries) of equity S/(000)	Additions (recoveries) to profit or loss S/(000)	Balance as of 31.12.2022 S/(000)
Assets:							
Provision for direct loan losses	464,072	-	31,124	495,196	-	(23,059)	472,137
Provision for indirect loan losses	43,334	-	(3,886)	39,448	-	63	39,511
Provision for awarded assets and non-current assets held for sale	48,207	-	(6,762)	41,445	-	(4,331)	37,114
Specific provision for indirect loan losses	33,835	-	5,554	39,389	-	1,725	41,114
Provision for other expenses and others	107,136	-	36,532	143,668	-	107,968	251,636
Labor provisions	93,000	(4,592)	19,376	107,784	(250)	13,412	120,946
Interest in suspense	278	-	-	278	-	-	278
Available-for-sale investments	6,300	(248)	-	6,052	9	-	6,061
Cash flow hedges	2,131	-	-	2,131	8,878	-	11,009
Recovery of loans and issuance	26,585	-	(15,627)	10,958	-	-	10,958
Total assets	<u>824,878</u>	<u>(4,840)</u>	<u>66,311</u>	<u>886,349</u>	<u>8,637</u>	<u>95,778</u>	<u>990,764</u>
Liabilities:							
Valuation of hedges of amounts due	-	-	-	-	-	(28,627)	(28,627)
Cash flow hedges	(4,622)	4,499	-	(123)	-	-	(123)
Intangible assets / deferred charges	(104,314)	-	(18,126)	(122,440)	-	(24,944)	(147,384)
Available-for-sale investments	(5,512)	437	-	(5,075)	3,368	-	(1,707)
Tax deduction of property, furniture and equipment	(6,045)	-	(3,296)	(9,341)	-	(888)	(10,229)
Equalization of exchange gains and losses	(19,059)	-	(20,220)	(39,279)	-	10,633	(28,646)
Total liabilities	<u>(139,552)</u>	<u>4,936</u>	<u>(41,642)</u>	<u>(176,258)</u>	<u>3,368</u>	<u>(43,826)</u>	<u>(216,716)</u>
Deferred tax asset, net	<u>685,326</u>	<u>96</u>	<u>24,669</u>	<u>710,091</u>	<u>12,005</u>	<u>51,952</u>	<u>774,048</u>

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Notes to the consolidated financial statements (continued)

25. Earnings per share

The calculation of the weighted average number of shares outstanding and earnings per share as of December 31 was as follows:

	Number of shares outstanding S/(000)	Base shares in determining weighted average S/(000)	Effective days to period-end S/(000)	Weighted average number of common shares S/(000)
2022				
Balance as of January 1, 2022	6,758,467	6,758,467	365	6,758,467
Capitalization of 2022 profit	623,717	623,717	365	623,717
Balance as of December 31, 2022	7,382,184	7,382,184		7,382,184
Profit as of December 31, 2022				1,921,759
Earnings per basic and diluted share				0.2603
2021				
Balance as of January 1, 2021	6,529,169	6,529,169	365	6,529,169
Capitalization of 2021 profit	229,298	229,298	365	229,298
Capitalization of 2022 profit	-	623,717	365	623,717
Balance as of December 31, 2021	6,758,467	7,382,184		7,382,184
Profit as of December 31, 2021				1,560,500
Earnings per basic and diluted share				0.2114

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Notes to the consolidated financial statements (continued)

26. Related party transactions

As of December 31, 2022 and 2021, the consolidated financial statements include related party transactions, which, under IAS 24 and SBS regulations, comprise the Parent Company, subsidiaries, related parties, associates, other related parties, and the Bank's directors and key management. All transactions with related parties are carry out under the available market conditions for unbound third parties.

(a) The balances of the BBVA Peru Group's consolidated statement of financial position arising from related parties as of December 31, 2022 and 2021 were as follows:

	2022					2021				
	Controlling party S/(000)	Related parties (*) S/(000)	Associates S/(000)	Key personnel and directors S/(000)	Total S/(000)	Controlling party S/(000)	Related parties (*) S/(000)	Associates S/(000)	Key personnel and directors S/(000)	Total S/(000)
Assets:										
Cash and due from banks	386,470	1,475	-	-	387,945	364,274	-	-	-	364,274
Loan portfolio, net	-	242,643	27,279	24,886	294,808	-	809,374	11,783	29,705	850,862
Held-for-trading instrument	485,210	49,732	-	-	534,942	487,180	107,829	-	-	595,009
Other assets, net	214,896	28,886	-	-	243,782	544,682	52,013	-	-	596,695
Total assets	1,086,576	322,736	27,279	24,886	1,461,477	1,396,136	969,216	11,783	29,705	2,406,840
Liabilities:										
Deposits and obligations with financial institutions	225,055	292,060	1,096	39,574	557,785	123,188	369,239	803	208,459	701,689
Debts and financial obligations	783,588	-	-	-	783,588	819,131	-	-	-	819,131
Held-for-trading instrument	485,466	190	-	-	485,656	1,071,514	1,816	-	-	1,073,330
Provisions and other liabilities	271,976	303,343	-	-	575,319	60,158	139,400	-	-	199,558
Total liabilities	1,766,085	595,593	1,096	39,574	2,402,348	2,073,991	510,455	803	208,459	2,793,708
Off-balance sheet accounts:										
Indirect loans	-	70,287	13,385	-	83,672	-	21,932	14,213	-	36,145
Derivative instruments	18,579,416	16,400	-	-	18,595,816	22,852,867	498,037	-	-	23,350,904

(*) Related parties include balances and transactions with other related parties in accordance with IAS 24 and SBS regulations.

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Notes to the consolidated financial statements (continued)

(b) The effects of related party transactions in the BBVA Peru Group's consolidated statement of financial position are detailed below for the years ended December 31, 2022 and 2021:

	2022					2021				
	Controlling party S/(000)	Related parties (*) S/(000)	Associates S/(000)	Key personnel and directors S/(000)	Total S/(000)	Controlling party S/(000)	Related parties (*) S/(000)	Associates S/(000)	Key personnel and directors S/(000)	Total S/(000)
Interest revenue	-	951	181	112	1,244	-	1,807	39	135	1,981
Interest expense	(25,021)	(19,207)	-	(27)	(44,255)	(21,572)	(14,352)	-	(26)	(35,950)
Financial margin	(25,021)	(18,256)	181	85	(43,011)	(21,572)	(12,545)	39	109	(33,969)
Financial service income	6,945	545	-	23	7,513	229	682	-	37	948
Financial service expenses	-	-	-	-	-	-	-	-	-	-
Net commissions	6,945	545	-	23	7,513	229	682	-	37	948
Profit or loss from financial transactions, net	(11,623)	(1,878)	-	2	(13,499)	(9,315)	(3,434)	-	4	(12,745)
Administrative expenses	(140,501)	(166,623)	-	-	(307,124)	(49,057)	(107,545)	-	-	(156,602)
Other income and expenses, net	-	16	-	-	16	-	11	-	-	11
Other income and expenses	(152,124)	(168,485)	-	2	(320,607)	(58,372)	(110,968)	-	4	(169,336)

(*) Related parties include balances and transactions with other related parties in accordance with IAS 24 and SBS regulations.

Notes to the consolidated financial statements (continued)

(c) Loans to personnel and remunerations to key personnel.

As of December 31, 2022 and 2021, Board of Directors, executives and employees of the Bank hold allowed loan transactions pursuant to the Banking Law, which regulates and establishes certain limits to transactions with members of the Board of Directors, executives and employees of financial entities in Peru. As of December 31, 2022 and 2021, direct loans granted to employees, directors, executives and key personnel amount to S/ 709 million and S/ 562 million, respectively.

Likewise, as of December 31, 2022 and 2021, remuneration to key personnel and expenses allowance for the board of Director amount to S/ 16 million for each year.

27. Trust activities

The Bank offers structuring and management services of trust transactions and trust fees and is in charge of the preparation of the underlying contractual agreements. Assets held in trust are not included in the Bank's financial statements. The Bank is responsible for the appropriate management of these trusts based on the limits established by applicable laws and the respective agreement. As of December 31, 2022, the allocated value of assets in trusts and trust fees totaled S/ 10,288 million (S/ 13,012 million, as of December 31, 2021).

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Notes to the consolidated financial statements (continued)

28. Classification of financial instruments

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

	2022					
	At fair value through profit or loss		Loans and accounts receivable S/(000)	Available-for-sale		Held-to maturity S/(000)
	Held for trading S/(000)	Allocated at inception S/(000)		At amortized cost (*) S/(000)	Fair value S/(000)	
Assets						
Cash and due from banks	-	-	12,145,003	-	-	-
Investments	3,278,859	-	-	1,121	8,311,743	-
Equity instruments	-	-	-	1,121	30,639	-
Debt instruments	3,278,859	-	-	-	8,281,104	-
Loan portfolio	-	-	69,122,387	-	-	-
Held-for-trading instrument	1,349,619	-	-	-	-	-
Hedging instruments	-	-	-	-	-	3,659
Accounts receivable, note 11	-	-	45,795	-	-	-
Other assets, note 11	-	-	976,762	-	-	-
	<u>4,628,478</u>	<u>-</u>	<u>82,289,947</u>	<u>1,121</u>	<u>8,311,743</u>	<u>3,659</u>

(*) It includes investments measured at cost.

	2022				
	At fair value through profit or loss		Available-for-sale		Hedging instruments S/(000)
	Hedge-for trading S/(000)	Allocated at inception S/(000)	At amortized cost S/(000)	Other liabilities S/(000)	
Liabilities					
Deposits and obligations	-	-	66,053,752	-	-
Interbank funds	-	-	-	-	-
Deposits with financial institutions and international financial institutions	-	-	847,794	-	-
Debts and financial obligations	-	-	4,036,978	-	-
Held-for-trading instrument	1,245,843	-	-	-	-
Hedging instruments	-	-	-	-	103,628
Accounts payable, note 14	-	-	12,287,242	-	-
	<u>1,245,843</u>	<u>-</u>	<u>83,225,766</u>	<u>-</u>	<u>103,628</u>

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2021							
	At fair value through profit or loss		Loans and accounts receivable S/(000)	Available-for-sale		Held-to maturity S/(000)	Hedging instruments S/(000)
	Held for trading S/(000)	Allocated at inception S/(000)		At amortized cost (*) S/(000)	Fair value S/(000)		
Assets							
Cash and due from banks	-	-	16,295,026	-	-	-	-
Interbank funds	-	-	-	-	-	-	-
Investments	4,129,581	-	-	1,122	5,629,908	-	-
Equity instruments	-	-	-	1,122	62,735	-	-
Debt instruments	4,129,581	-	-	-	5,567,173	-	-
Loan portfolio	-	-	70,433,581	-	-	-	-
Held-for-trading instruments	1,767,732	-	-	-	-	-	-
Hedging instruments	-	-	-	-	-	-	75,805
Accounts receivable, note 11	-	-	29,401	-	-	-	-
Other assets, note 11	-	-	550,994	-	-	-	-
	<u>5,897,313</u>	<u>-</u>	<u>87,309,002</u>	<u>1,122</u>	<u>5,629,908</u>	<u>-</u>	<u>75,805</u>

(*) It includes investments measured at cost.

2021					
	At fair value through profit or loss		At amortized cost S/(000)	Other liabilities S/(000)	Hedging instruments S/(000)
	Hedge-for-trading S/(000)	Allocated at inception S/(000)			
Liabilities					
Deposits and obligations	-	-	63,196,861	-	-
Interbank funds	-	-	-	-	-
Deposits with financial institutions and international financial institutions	-	-	891,287	-	-
Debts and financial obligations	-	-	6,840,555	-	-
Held-for-trading instrument	1,572,020	-	-	-	-
Hedging instruments	-	-	-	-	35,059
Accounts payable	-	-	17,146,480	-	-
	<u>1,572,020</u>	<u>-</u>	<u>88,075,183</u>	<u>-</u>	<u>35,059</u>

Notes to the consolidated financial statements (continued)

29. Financial risk management

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

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

This risk management area centralizes and concentrates management of the credit and market risk by means of a number of separate units. The Risk Area consists of 5 units Retail Risk, Wholesale Risk, Market, Structural & Fiduciary Risk, Collection, Mitigation & Work Out, y Portfolio Management, Data & Reporting) and 2 sub-units (Risk Solution Group and Risk Transformation).

This structure provides the adequate environment for synergies to be created in work teams and higher integration to be obtained in all business processes, from strategy, planning, to modeling and management tools; where Risk Solution and Risk Transformation consolidate cross-functional activities to support overall risk management; meanwhile Portfolio Management, Data & Reporting are charged with performing due diligence, monitoring and follow-up on the risk indicators of the Bank's entire portfolio, placing focus on the follow-up of sensitive portfolios.

Supplemental to this management, the Unit of Internal Control of Risks (Unidad de Control Interno de Riesgos), part of the Internal Control and Compliance function) is charged with verifying that the relevant controls are in place and operating effectively over the major business processes and deliverables of the overall Risk Area.

In a highly complex juncture in Peru, mainly characterized by the conditions involving the COVID-19 effects, apart from the economic and political instability, Risk Management efforts over 2022 have been fully focused on the adequate management of portfolio from all fronts:

- Portfolio management under the guidelines defined by the SBS and the Government, customizing management and monitoring reports to meet the new needs of the ongoing juncture (placing attention to the new provisions y ready to introduce the necessary adequacies to fulfill its assigned duties efficiently).
- Ongoing follow-up and monitoring of liquidity risks.

Notes to the consolidated financial statements (continued)

- From the wholesale and retail Admission, ongoing review and adjustment of the admission policies, rescheduling modalities carrying out the portfolio diagnosis, segmentation and action plans according to the identified criticality.

Collections continue with follow-up and management efforts under a preventive and anticipatory approach, with a focus on special groups and the potential impact of impairment off the different portfolios always oriented to the most vulnerable and hardest-hit sectors. Specialized teams have been set up to manage collections by implementing differentiated strategies according to the portfolio to implement special containment efforts.

Credit risk

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

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

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

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

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

The Risk Advance Analytics team, under the Center of Expertise (CoE), is responsible for developing models that support different credit processes in fulfillment of the risk function. There are two teams in place for this purpose: Follow-up on Models and the Parameter Estimation, IFRS 9 and Stress Team.

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

- Risk Solution: It manages the portfolio of projects in the Risk area. It ensures its definition, prioritization, execution and startup.

Notes to the consolidated financial statements (continued)

- Another sub-units comprising the risk area is the Tool Management sub-unit, which ensures the operating effectiveness, good performance and continuing improvement of the tools and productive models used by the Risk.
- Risk Transformation: This is the team responsible for ensuring the execution and continuous improvement of the dependent processes, complying with the defined and committed quality and productivity standards. Also, this team pulls the key levers of transformation (agile practices, process management, demand and productivity management, organizational re-design, and others) in its efforts to evolve into a operational excellence center. Finally, this area manages the operational risk involving infrastructure with a focus on the te typologies on the third party, technology, legal, people, among others.

- Retail Loan: It manages retail credit risk, in accordance with the Bank's strategic objectives, and monitors the risk quality of transactions. Such management includes the following:

Definition of customer admission requirements for the retail segment.

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

Evaluating the level of borrowing, disseminating and strengthening the Bank's risk culture.

Improving the capabilities of the trade areas and risk analysts by means of ongoing training programs.

Maintaining a comprehensive credit risk policy that underlies the quality of the loan portfolio based on an intensive interaction of the several business areas and attention to the internal and external overseeing bodies.

Proposing and promoting continuing improvements in business processes, tools, and standards for an efficient management of the Credit Risk.

Overseeing compliance with policies in the process of analysis and admission of the credit risk on transactions arising in the commercial areas.

There are 5 sub-units supporting management and from October they consist of: Particular Individual Admission (admission of individuals); Individual Admission Pymes (Admisión Pymes), Campaña Persona Natural (a campaign with a focus on individuals), Campaña Pymes (a number of campaigns with focus on small and medium-sized entities - Pymes in Peru), Governance & Strategies (responsible for the policies and standards intended to ensure compliance with corporate rules and local laws and regulations and analysis and diagnosis of portfolio).

Notes to the consolidated financial statements (continued)

- Wholesale Loan: Unit in charge of managing the wholesale credit portfolio aimed at maximizing the generation of economic benefit based on risk positioning and the limits defined in the Asset Allocation framework resulting from the definition of the Group's objective risk profile and risk appetite; also complying with current legal regulations and corporate and local policies.

Within its structure, there is a sub-unit called Wholesale Credit Strategies, charged with management of the Wholesale portfolio, control of the Asset Allocation limits as well as definition of the growth and disinvestment policies and strategies

On the other hand, there is the sub-unit called Wholesale Credit Governance, charged with updating and implementing the overall policies, standards and procedures as well as the following up on observations raised by Internal Audit, External Audit, Internal Control, Holding and the SBS. It services consultations made regarding standards and delegations. It also leads the technical office of the credit technical committee (Secretaria Técnica del Comité Técnico de Créditos - CTO).

In addition, as a way to keep an agile structure, there are two sub-units in Admission:

Wholesale Admission Stage 1: This is a primary axis of analysis under industry groupings and keeps expertise by segment.

Admission & Monitoring Stage 2: Operating under a preventive management approach, involving strategies to hold and/or reduce the risk of portfolio, and stop impairment by structuring pertinent financial solutions.

Real Estate Risk: a team specialized in the real-estate sector, it has two sub-units

Wholesale Admission Real Estate: Charged with assessing the economic and financial aspects of the credit proposals of entities in the real-estate industry (Housing and Commercial).

Wholesale Monitoring Real Estate: Charged with following up on the portfolio of real-estate projects in progress (monthly valuation of work progress, updating sales dashboard, matching cash flows, etc); until work satisfaction is obtained and sponsor debt is settled.

It should be noted that the tools for Rating, Risk Analyst and Early Warnings (Alertas Tempranas) are critical for decision-making. Further, the PF ARCE and the digital Financial Program (Programa Financiero Automatizado and Programa Financiero Digital), used with the BEC and CIB (Corporate Investment Banking), segments, respectively, continued to operate as digital platforms in preparing and conducting analysis of the credit proposals.

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Both the teams of Wholesale Credit Governance and Wholesale Credit Strategies have been working on management improvement initiatives. The Governance included in the calculation of delegation of office managers (Calculadora de Delegación de gerentes de oficinas) a system of visual signaling by sectors, new variables for consultation of delegation to support the evaluation, which resulted in lower times required in searching a number of sources. The Strategies team drove the initiative called Valida + for rating validation, with the majority of the qualified portfolio; in addition, PLAN RADAR was set up to safeguard portfolios, which enable the team to identify groups of customers vulnerable to the current juncture in Peru, which in turn led to preventive measures to be taken to prevent future contingencies from arising.

- Collection, Mitigation & Workout: It groups together the functions and processes necessary for the monitoring, non-payment containment, collection, recoveries and the divestment of the portfolio with problems, both from retail and wholesale banking, achieving crossway efficiencies in the processes, as well as in the external management channels (collection agencies, calls, and law firms) and internal (network of offices). The major sub-units are the following:
 - (i) Retail Credit Early Default, a team charged with the recovery of the preventive and unpaid retail portfolio.
 - (ii) Wholesale Credit Early Default, a team charged with managing the wholesale portfolio with payment difficulties and leading the sub-unit of Individual Classification, which assesses the Bank's non-retail customer portfolio to determine its rating and required level of provision, in consistency with the SBS Grupo BBVA standards.
 - (iii) Strategy, Governance & Management, a team that articulates collections and recoveries by means of initiatives, pilots and other projects that support data-processing and analysis.
 - (iv) Retail Credit Late Default, a team charged with the court-ordered secured and off-court recovery and write-off of the retail portfolio.
 - (v) Wholesale Credit Late Default, a team charged with highest number of loans via court-ordered recoveries of the wholesale portfolio.
 - (vi) IRBSA & Guarantees, a team charged with management and administration of commercialization of real-estate properties and other properties and setting the policies for the comprehensive management of guarantees.

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Notes to the consolidated financial statements (continued)

During fiscal 2022, the effectiveness of the Collections Factor (Fábrica de Cobranzas) needs to be underscored as well as that of the Implant model and the handling of the Reactiva portfolio. On the other hand, an agile execution of payments has enabled the team to contain the delayed portfolio providing a more adequate support in the context of the currently adverse juncture. It should also be underscored the system in place for managing, follow-up and negotiation of the portfolio under court action, as well as an adequate disinvestment strategy leveraged via write-off higher than 3 UITs (Peruvian referential tax units) of those cases considered as nonrecoverable and resuming secure sales that were not implemented since 2016. All these actions have strengthened the Fábrica de Cobranzas, which will be redesigned in 2023 as a Specialized Center of Collections (CEC in Spanish) to adapt to the new context of the portfolio. Finally, there are plans to continue developing new ways to improve collections for all customers who join the existing ones.

Maximum exposure to credit risk

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

	2022 S/(000)	2021 S/(000)
Cash and due from banks	12,145,003	16,295,026
Investments at fair value through profit or loss	3,278,859	4,129,581
Available-for-sale investments	8,312,864	5,631,030
Loan portfolio, net	69,122,387	70,433,581
Held-for-trading instrument	1,349,619	1,767,732
Hedging instruments	3,659	75,805
Accounts receivable, note 11	45,795	29,401
Other assets, note 11	976,762	550,994
Total	95,234,948	98,913,150

Guarantees received

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

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

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Notes to the consolidated financial statements (continued)

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

	2022 S/(000)	%	2021 S/(000)	%
Mortgages	25,940,643	35	24,729,658	33
Endorsements and letters of guarantee received	6,490,818	9	9,142,676	12
Finance lease	3,511,965	5	3,816,240	5
Self-liquidating collaterals	518,081	1	468,380	1
Vehicle, industrial, agricultural pledges and others	74,435	-	49,287	-
Rest of guarantees	8,386,321	11	16,494,524	22
Guaranteed loans	44,922,263	61	54,700,765	73
 Non-guaranteed loans	 28,265,694	 39	 19,848,821	 27
Total	73,187,957	100	74,549,586	100

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Notes to the consolidated financial statements (continued)

Credit quality of the loan portfolio

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

	2022						2021					
	Wholesale loans S/(000)	Small and micro- business loans S/(000)	Consumer loans S/(000)	Mortgage loans S/(000)	Total S/(000)	%	Wholesale loans S/(000)	Small and micro- business loans S/(000)	Consumer loans S/(000)	Mortgage loans S/(000)	Total S/(000)	%
Neither-past-due nor impaired loans	40,592,109	3,588,256	9,523,521	13,824,143	67,528,029	99	45,523,256	2,648,467	7,334,506	13,496,568	69,002,797	99
Standard	39,339,331	3,463,410	9,319,661	13,648,634	65,771,036	96	43,986,617	2,578,162	7,239,215	13,290,174	67,094,168	96
With potential problems	1,252,778	124,846	203,860	175,509	1,756,993	3	1,536,639	70,305	95,291	206,394	1,908,629	3
Substandard	-	-	-	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-	-	-	-
Neither past-due nor impaired loans	174,159	2	2	516	174,679	-	99,141	5	3	759	99,908	-
Standard	38,453	1	2	4	38,460	-	31,692	4	2	-	31,698	-
With potential problems	135,706	1	-	512	136,219	-	67,449	1	1	759	68,210	-
Substandard	-	-	-	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-	-	-	-
Impaired loans	3,707,764	358,364	630,365	788,756	5,485,249	8	3,809,721	292,907	457,605	886,648	5,446,881	8
Standard	15,666	4	39	-	15,709	-	3,294	2	16	-	3,312	-
With potential problems	493,770	-	143	-	493,913	1	638,444	-	9	-	638,453	1
Substandard	699,869	73,298	148,548	205,967	1,127,682	2	839,062	38,220	81,685	201,271	1,160,238	2
Doubtful	761,235	93,200	236,629	189,595	1,280,659	2	784,358	51,500	177,381	245,173	1,258,412	2
Loss	1,737,224	191,862	245,006	393,194	2,567,286	3	1,544,563	203,185	198,514	440,204	2,386,466	3
Gross portfolio	44,474,032	3,946,622	10,153,888	14,613,415	73,187,957	107	49,432,118	2,941,379	7,792,114	14,383,975	74,549,586	107
Less: Provisions	(3,028,156)	(277,028)	(753,770)	(603,584)	(4,662,538)	(7)	(3,042,877)	(239,002)	(675,774)	(700,509)	(4,658,162)	(7)
Total net portfolio	41,445,876	3,669,594	9,400,118	14,009,831	68,525,419	100	46,389,241	2,702,377	7,116,340	13,683,466	69,891,424	100

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

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

The specific provisions associated with transactions that As of December 31, 2022 have been classified as past due and non-impaired loans and impaired loans amount to S/ 2,971 million (S/ 2,845 million As of December 31, 2021).

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Notes to the consolidated financial statements (continued)

In 2022 and 2021, customer transactions that throughout said periods were classified as past due and not impaired loans and as impaired loans have generated finance revenue of S/ 198 million and S/ 182 million, respectively.

As of December 31, 2022 and 2021, the guarantees of past due and non-impaired loans and impaired loans amount to S/ 2,659 million and S/2,718 million, respectively, of which S/ 2,523 million and S/ 2,626 million correspond to mortgage loans.

As of December 31, 2022 and 2021, past due and non-impaired loans amounts to S/ 175 million and S/ 100 million, respectively. The breakdown of the referred credits according to days of arrears is shown below:

	2022				2021			
	16- 30 S/(000)	31- 60 S/(000)	61 - 90 S/(000)	Total S/(000)	16- 30 S/(000)	31- 60 S/(000)	61 - 90 S/(000)	Total S/(000)
Days in arrears								
Types of loan								
Corporate	41	1,663	674	2,378	-	-	-	-
Large-business loans	8,153	15,949	1,321	25,423	892	11,025	1,673	13,590
Medium-business loans	60,980	65,511	19,867	146,358	34,250	32,959	18,341	85,550
	<u>69,174</u>	<u>83,123</u>	<u>21,862</u>	<u>174,159</u>	<u>35,142</u>	<u>43,984</u>	<u>20,014</u>	<u>99,140</u>
Small-business loans	-	2	-	2	-	2	3	5
Micro-business loans	-	-	-	-	-	1	-	1
Consumer loans	-	2	-	2	-	2	1	3
Mortgage loans	-	516	-	516	-	759	-	759
	<u>-</u>	<u>520</u>	<u>-</u>	<u>520</u>	<u>-</u>	<u>764</u>	<u>4</u>	<u>768</u>
TOTAL	<u>69,174</u>	<u>83,643</u>	<u>21,862</u>	<u>174,679</u>	<u>35,142</u>	<u>44,748</u>	<u>20,018</u>	<u>99,908</u>

Risk concentrations

The loan portfolio is distributed in the following economic sectors:

	2022 S/(000)	%	2021 S/(000)	%
Mortgage and consumer loans	24,767,302	34	22,176,089	30
Commerce	13,889,067	19	15,027,845	20
Manufacturing	10,691,306	15	11,572,507	16
Transport, storage and communications	6,299,939	9	6,658,443	9
Real estate, business and leasing	3,809,945	5	4,070,870	5
Agriculture and livestock	3,144,823	4	2,727,454	4
Financial intermediation	2,278,990	3	1,811,720	2
Hotels and restaurants	1,623,101	2	1,723,099	2
Power, gas and water	1,233,808	2	1,793,180	2
Mining	1,136,403	2	2,201,883	3
Construction	1,063,506	1	1,477,262	2
Others	3,249,767	4	3,309,234	4
	<u>73,187,957</u>	<u>100</u>	<u>74,549,586</u>	<u>100</u>

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Notes to the consolidated financial statements (continued)

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

	2022				
	At fair value through profit or loss		Loans and accounts receivable (*)	Available-for-sale	
	Held-for-trading S/(000)	Allocated at inception S/(000)		Available-for-sale S/(000)	Hedging instruments S/(000)
Financial instruments					
Peru	3,706,864	-	73,362,413	4,664,098	-
Rest of South America	-	-	25,685	980	-
Mexico	314	-	1,163	-	-
United States of America	-	-	9,188	3,647,756	-
Europe	929,349	-	3,000	30	3,659
Rest of the world	-	-	9,572	-	-
	<u>4,636,527</u>	<u>-</u>	<u>73,411,021</u>	<u>8,312,864</u>	<u>3,659</u>
Provisions	(8,049)	-	(4,839,806)	-	-
Accrued returns on current loans, note 7	-	-	683,398	-	-
Deferred interest	-	-	(86,431)	-	-
	<u>4,628,478</u>	<u>-</u>	<u>69,168,182</u>	<u>8,312,864</u>	<u>3,659</u>
2021					
	At fair value through profit or loss		Loans and accounts receivable (*)	Available-for-sale	
	Held-for-trading S/(000)	Allocated at inception S/(000)		Available-for-sale S/(000)	Hedging instruments S/(000)
Financial instruments					
Peru	5,290,281	-	74,651,803	4,594,376	24,639
Rest of South America	-	-	28,614	980	-
Mexico	1,330	-	1,383	-	-
United States of America	-	-	81,764	1,035,644	-
Europe	130,857	-	10,469	30	51,166
Rest of the world	487,180	-	12,904	-	-
	<u>5,909,648</u>	<u>-</u>	<u>74,786,937</u>	<u>5,631,030</u>	<u>75,805</u>
Provisions	(12,335)	-	(4,866,112)	-	-
Accrued returns on current loans, note 7	-	-	641,441	-	-
Deferred interest	-	-	(99,284)	-	-
	<u>5,897,313</u>	<u>-</u>	<u>70,462,982</u>	<u>5,631,030</u>	<u>75,805</u>

(*) As of December 31, 2022 and 2021, this balances include the loan portfolio and receivables.

Notes to the consolidated financial statements (continued)

Market risk

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

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

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

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

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

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

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

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As of December 31, 2022 and December 31, 2021 the detail of the VaR for risk factors was as follows:

	2022 S/(000)	2021 S/(000)
VaR for risk factors		
VaR without smoothing	7,547	10,144
VaR interest	7,673	10,458
VaR exchange	1,451	319
VaR weighted	8,678	8,479
VaR maximum	12,498	13,348
VaR minimum	5,435	5,245

Structural interest risk

Structural interest risk is defined as the potential alteration that occurs in the interest income and/or in the equity value of an entity due to the variation in interest rates.

According to the impact variable, the following types of risks are distinguished in the Group and in the Bank:

- Interest margin risk: potential adverse deviation in the interest margin projected over a given horizon.
- Equity economic value risks: potential impact on the economic value of the financial institution's balance sheet.
- Risk of carrying amount of instruments accounted for at fair value in the banking book: potential impact on equity given the effect on the carrying amount of the portfolios of fixed income and derivatives classified as "Held to Collect and Sell" (HtC&S).

The Assets and Liabilities Committee (hereinafter COAP) conducts active management of the banking book through operations to optimize the level of risk assumed, in relation to the expected results, and allow compliance with the maximum levels of tolerable risk.

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

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

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

The consumption of the structural interest risk levels of the BBVA Peru Group during the years 2022 and 2021 are presented as follows:

		Dic-22	Nov-22	Oct-22	Set-22	Ago-22	Jul-22	Jun-22	May-22	Abr-22	Mar-22	Feb-22	Ene-22
2022													
Limit consumption													
Sensitivity in profit margin	9.5%	N/D	4.5%	4.9%	5.9%	6.2%	6.6%	6.6%	7.9%	7.5%	7.4%	8.5%	7.7%
Alert consumption													
Economic value sensitivity	750	N/D	501	484	485	503	512	517	506	332	329	399	285
Economic capital	900	N/D	753	735	744	743	700	725	689	659	716	612	445
Margin at risk	4.5%	N/D	2.5%	2.4%	3.0%	3.1%	3.1%	3.2%	3.6%	3.9%	4.0%	3.2%	3.0%
		Dic-21	Nov-21	Oct-21	Set-21	Ago-21	Jul-21	Jun-21	May-21	Abr-21	Mar-21	Feb-21	Ene-21
2021													
Limit consumption													
Sensitivity in profit margin	7.0%	6.42%	6.78%	6.86%	6.6%	5.5%	5.0%	5.1%	5.6%	5.1%	5.4%	5.4%	5.4%
Alert consumption													
Economic value sensitivity	1,200	221	262	264	297	309	444	422	417	403	439	452	496
Economic capital	1,200	422	432	400	411	422	535	528	534	529	556	559	584
Margin at risk	4.0%	3.5%	2.9%	3.0%	2.8%	2.2%	2.2%	2.2%	2.4%	2.1%	2.2%	2.2%	2.3%

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

Notes to the consolidated financial statements (continued)

Liquidity risk

The liquidity and financing risk is defined as the inability of a financial institution to honor its payment obligations due to a lack of cash or financing or whenever a financial institution has to resort to financing under especially severe conditions to be able to honor those obligations.

As part of this risk and considering a temporary horizon over which the payment obligation occurs, we can distinguish:

- Liquidity risk: The risk of suffer losses in the short-term resulting from events that affect their ability to use cash resources to meet its more immediate payment obligations, either because of the impossibility to sell assets or an unexpected reduction of trade liabilities, or because the regular financing sources are shut down bot in normal or stress situation, and including the potential outflow of additional resources for contingent reasons.
- Intraday liquidity risk: Risks that a financial institution is not able to meet its daily settlement obligations; for example, because of timing mismatches in payment, settlement systems or other relevant.
- Financing risk: This risk reflects the increase in the exposure of balance sheet of a financial institution, medium and short-term resulting from its deviation from its target to keep stable resources inherent to its activity, together with other wholesale stable financing resources to enable a diversification by due dates and sources, as a way to concentration of counterparties that sharpen the exposure or vulnerability of the financial institution in a stress scenario. In a context of higher exposure to this risk, a higher probability exists of incurring in higher short-term financing, higher use of collaterals, and in any case, an intensified short-term liquidity risk.

The Group and BBVA Perú aim at promoting a sound financing structure to contribute with the sustainability of the business model. For that purpose, the risk model promotes maintaining an adequate number of stable resources in a wholesale diversified financing model that restrict the weight of short-term financing, ensure access to several markets, optimize the costs of financing, and creates a buffer of liquid assets for the Bank to be able to survive under stress scenarios.

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

Notes to the consolidated financial statements (continued)

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

The periodic measurements of the risk incurred and the monitoring of the consumption of limits are carried out by the Structural, Markets and Fiduciary Risks Unit, which monthly reports the liquidity risks level to the COAP; as well as more frequently to the management units. It should be noted that during the beginning of the state of emergency due to the COVID-19 pandemic, the structural risks unit increased the measurement frequency of the main liquidity indicators in order to carry out a daily monitoring that allows anticipating any contingency and supporting the management areas.

Moreover, the Basel Committee on Banking Supervision (BCBS) has proposed a new liquidity regulation scheme based on two ratios: "Liquidity Coverage Ratio" (LCR) that entered into force in 2015 and the "Net Stable Funding Ratio" (NSFR) has been implemented since 2018. Both the Bank and the BBVA Group as a whole participated in the corresponding impact study (QIS) that has included the new regulatory challenges in its new general framework of action in the field of liquidity and financing. At the local level, the SBS has also implemented monitoring of the Liquidity Coverage Ratio (RCL), following the general guidelines of the Basel Committee, although adapting it to the Peruvian reality. This RCL indicator began to be measured from December 2013 and its calculation is daily. The limit established for the RCL is 80% for the period 2014 - 2017, 90% for 2018 and 100% for 2019 onwards, which is being met with ease.

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In accordance with SBS regulations, the maturities of assets and liabilities as of December 31, 2022 and 2021, including accrued interest on loans and deposits, are as follows:

	Up to 1 month S/(000)	1-3 months S/(000)	Between 3 and 6 months S/(000)	Between 6 months and 1 year S/(000)	Between 1 year and 5 years S/(000)	More than 5 years S/(000)	Sold and under court collection S/(000)	No contractual maturity S/(000)	Total S/(000)
2022									
Assets									
Cash and due from banks	9,598,572	250,930	159,722	145,085	1,990,474	220	-	-	12,145,003
Interbank funds	-	-	-	-	-	-	-	-	-
Investments at fair value through profit or loss	3,278,859	-	-	-	-	-	-	-	3,278,859
Available-for-sale investments	6,871,164	70,508	45,786	20,214	986,580	318,612	-	-	8,312,864
Loan portfolio	8,276,036	8,727,045	7,430,104	8,876,959	27,741,954	9,947,233	3,207,132	-	74,206,463
Held-for-trading instrument	81,384	125,626	88,827	160,245	287,151	606,386	-	-	1,349,619
Hedging instruments	-	-	-	-	3,659	-	-	-	3,659
	<u>28,106,015</u>	<u>9,174,109</u>	<u>7,724,439</u>	<u>9,202,503</u>	<u>31,009,818</u>	<u>10,872,451</u>	<u>3,207,132</u>	<u>-</u>	<u>99,296,467</u>
Liabilities									
Obligations with the public	9,463,766	5,979,509	3,819,413	3,411,417	43,278,647	101,000	-	-	66,053,752
On demand	2,556,312	1,871,329	-	-	18,056,283	-	-	-	22,483,924
Savings	1,836,092	1,338,309	-	-	21,937,899	-	-	-	25,112,300
Time deposits	4,835,886	2,769,871	3,819,413	3,411,417	3,284,465	101,000	-	-	18,222,052
Others	235,476	-	-	-	-	-	-	-	235,476
Interbank funds	-	-	-	-	-	-	-	-	-
Deposits with financial institutions	302,109	167,176	32,607	103	345,799	-	-	-	847,794
Debts and financial obligations	30,191	32,402	11,148	533,740	401,736	3,027,761	-	-	4,036,978
Held-for-trading instrument	383,109	106,631	51,200	87,052	269,152	348,699	-	-	1,245,843
Hedging instruments	-	-	3,081	15,125	85,422	-	-	-	103,628
Accounts payable	2,210,414	1,068,505	1,204,232	1,033,142	6,770,938	11	-	-	12,287,242
Other liabilities	1,052,056	-	-	-	-	-	-	-	1,052,056
	<u>13,441,645</u>	<u>7,354,223</u>	<u>5,121,681</u>	<u>5,080,579</u>	<u>51,151,694</u>	<u>3,477,471</u>	<u>-</u>	<u>-</u>	<u>85,627,293</u>

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	Up tp 1 month S/(000)	1-3 months S/(000)	Between 3 and 6 months S/(000)	Between 6 months and 1 year S/(000)	Between 1 year and 5 years S/(000)	More than 5 years S/(000)	Sold and under court collection S/(000)	Without contractual maturity S/(000)	Total S/(000)
2021									
Assets									
Cash and due from banks	14,549,520	164,513	46,374	67,296	1,467,323	-	-	-	16,295,026
Interbank funds	-	-	-	-	-	-	-	-	-
Investments at fair value through profit or loss	4,129,581	-	-	-	-	-	-	-	4,129,581
Available-for-sale investments	4,131,160	43,335	2,607	847,007	307,755	299,166	-	-	5,631,030
Loan portfolio	6,546,559	8,206,497	7,745,944	8,290,753	26,861,395	14,119,761	2,778,677	-	74,549,586
Held-for-trading instrument	41,085	192,642	262,774	238,881	356,740	675,610	-	-	1,767,732
Hedging instruments	-	-	235	53,319	22,251	-	-	-	75,805
	<u>29,397,905</u>	<u>8,606,987</u>	<u>8,057,934</u>	<u>9,497,256</u>	<u>29,015,464</u>	<u>15,094,537</u>	<u>2,778,677</u>	<u>-</u>	<u>102,448,760</u>
Liabilities									
Deposits and obligations	7,213,661	5,487,526	1,272,887	2,055,379	47,167,408	-	-	-	63,196,861
Demand deposits	2,476,778	1,812,755	-	-	20,597,504	-	-	-	24,887,037
Savings accounts	2,508,338	1,759,651	-	-	24,225,054	-	-	-	28,493,043
Time deposits	2,137,060	1,915,120	1,272,887	2,055,379	2,344,850	-	-	-	9,725,296
Others	91,485	-	-	-	-	-	-	-	91,485
Interbank funds	-	-	-	-	-	-	-	-	-
Deposits with financial institutions	400,186	125,564	69,208	125,057	171,272	-	-	-	891,287
Debts and financial obligations	54,708	77,108	428,670	2,507,707	1,617,808	2,154,554	-	-	6,840,555
Held-for-trading instrument	127,439	123,859	231,400	107,251	475,044	507,027	-	-	1,572,020
Hedging instruments	-	-	1,565	3,391	30,103	-	-	-	35,059
Accounts payable	1,860,721	648,460	969,896	2,451,469	10,608,108	617,881	-	-	17,156,535
Other liabilities	<u>607,087</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>607,087</u>
	<u>10,263,802</u>	<u>6,462,517</u>	<u>2,973,626</u>	<u>7,250,254</u>	<u>60,069,743</u>	<u>3,279,462</u>	<u>-</u>	<u>-</u>	<u>90,299,404</u>

Notes to the consolidated financial statements (continued)

Operational risk

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

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

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

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

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

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

The effective equity requirement for operational risk based on the alternative standard method as of December 31, 2022 amounts to S/665 million (S/602 million as of December 31, 2021) and for BBVA Consumer Finance EDPYME in liquidation based on the basic indicator method as of December 31, 2021 amounts to S/ 2 million.

Notes to the consolidated financial statements (continued)

30. Fair value

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

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

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

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

- (i) Financial instruments whose fair value is similar to the carrying amount:
This assumption applies for those assets and liabilities with current maturity, with variable interest rate and those whose fair value correspond to the carrying amount according to the SBS Official Letter 43078-20 1 4-SBS.
- (ii) Financial instruments at fixed rate
The methodology of future flows projection discounted at market interest rates is used, for instruments with similar characteristics.
- (iii) Financial instruments measured at fair value
The fair value hierarchy categorizes into 3 levels the inputs to valuation techniques used to measure fair value:

Level 1:

If the observed value in an active market does not refer to the financial instrument as a whole, but there is an active market for its components, fair value shall be determined based on relevant market prices of those components.

Level 2:

For instruments quoted in non-active markets, fair value is determined by using a valuation technique or model that mostly uses market data and minimizes the use of data provided by the Bank.

Level 3:

For unquoted instruments, fair value is determined using valuation techniques or models.

Translation of financial statements originally issued in Spanish - Note 32

Notes to the consolidated financial statements (continued)

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

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

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

Taking into account the fair value considerations and the Official Letter 43078-2014- SBS, in which the SBS determined that the fair value corresponds to the carrying amount of loans and deposits, as of December 31, 2022 and 2021 the carrying amount and fair value of financial assets and financial liabilities are shown as follows:

	Carrying amount		Fair value	
	2022 S/(000)	2021 S/(000)	2022 S/(000)	2021 S/(000)
Assets				
Cash and due from banks	12,145,003	16,295,026	12,145,003	16,295,026
Investments at fair value through profit or loss and investment available-for-sale	11,591,723	9,760,611	11,591,723	9,760,611
Loan portfolio	69,122,387	70,433,581	69,122,387	70,433,581
Held-for-trading instrument	1,349,619	1,767,732	1,349,619	1,767,732
Hedging instruments	3,659	75,805	3,659	75,805
Accounts receivable, note 11	45,795	29,401	45,795	29,401
Other assets, note 11	976,762	550,994	976,762	550,994
Total	95,234,948	98,913,150	95,234,948	98,913,150
Liabilities				
Deposits and obligations in local and foreign financial institutions	66,901,546	64,088,148	66,901,546	64,088,148
Debts and financial obligations	4,036,978	6,840,555	3,943,359	6,885,495
Held-for-trading instrument	1,245,843	1,572,020	1,245,843	1,572,020
Hedging instruments	103,628	35,059	103,628	35,059
Accounts payable	12,287,242	17,156,535	12,287,242	17,156,535
Total	84,575,237	89,692,317	84,481,618	89,737,257

Translation of financial statements originally issued in Spanish - Note 32

Notes to the consolidated financial statements (continued)

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

Financial instruments recorded at fair value and value hierarchy.

	2022				2021			
	Fair Value S/(000)	Level 1 S/(000)	Level 2 S/(000)	Level 3 S/(000)	Fair value S/(000)	Level 1 S/(000)	Level 2 S/(000)	Level 3 S/(000)
Assets								
Investments at fair value through profit of loss								
Equity instruments	-	-	-	-	-	-	-	-
Debt instruments	3,278,859	316,774	2,962,085	-	4,129,581	204,934	3,924,647	-
Available-for-sale investments								
Equity instruments	30,639	30,639	-	-	62,735	62,735	-	-
Debt instruments	8,281,104	4,307,377	3,973,727	-	5,567,172	1,389,913	4,177,259	-
Held-for-trading instrument	1,349,619	-	1,349,619	-	1,767,732	-	1,767,732	-
Hedging instruments	3,659	-	3,659	-	75,805	-	75,805	-
	<u>12,943,880</u>	<u>4,654,790</u>	<u>8,289,090</u>	<u>-</u>	<u>11,603,025</u>	<u>1,657,582</u>	<u>9,945,443</u>	<u>-</u>
Liabilities								
Debt and financial obligations	1,845,663	-	1,845,663	-	3,251,564	-	3,251,564	-
Held-for-trading instrument	1,245,843	-	1,245,843	-	1,572,020	-	1,572,020	-
Hedging instruments	103,628	-	103,628	-	35,059	-	35,059	-
	<u>3,195,134</u>	<u>-</u>	<u>3,195,134</u>	<u>-</u>	<u>4,858,643</u>	<u>-</u>	<u>4,858,643</u>	<u>-</u>

Notes to the consolidated financial statements (continued)

Level 2		Valuation techniques / Hypothesis	Main inputs used
Fixed and variable rate		Fixed rate: Present value of cash flows from bonds (coupons and face value): $Price_{bond} = \sum_{n=1}^N \frac{Coupon}{(1+YTM)^n} + \frac{Face\ value}{(1+YTM)^N}$ $= \sum_{n=1}^N \frac{Coupon}{(1+YTM)^n} + \frac{Face\ value}{(1+YTM)^N}$	Fixed rate: Bonds details (coupon rate, coupons payment frequency, face value) Yield to Maturity (YTM): Obtained from operations traded in Datatec in such a way that the transaction greater than or equal to S/2 million (internally defined condition). Variable rate: closing price of Bloomberg, Reuter or the website of the BVL.
Derivatives	(a) Forwards, IRS and CCS	Calculation of the present value of each of the components of the derivative (fixed/variable) considering market interest rates and converting it to soles with the Exchange rate of the day, if necessary. The following are taken into account: variable flows (if any), the projection of flows, the discount curves for each underlying and the current market interest rates.	- Forward points. - Fixed vs variable price. - Exchange rate at closure. - Market interest rate curves.
	(b) Options	For options on shares, currency and raw materials The hypothesis derived from the use of the Black-Scholes model takes into account the possible adjustments to convexity. For derivatives on interest rates: The hypothesis derived from the use of the Black-Scholes assumes a lognormal process of forward rates and model takes into account the possible adjustment to convexity.	Derivatives on shares, currency and raw materials - Forward structure of the underlying. - Changes in options. - Observable correlations between underlying. Derivatives on interest rates: - Maturity structure of interest type curve. - Underlying volatility.

Translation of financial statements originally issued in Spanish - Note 32

Notes to the consolidated financial statements (continued)

31. Subsequent events

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

32. Additional explanation for English translation

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



Constancia de Habilitación

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

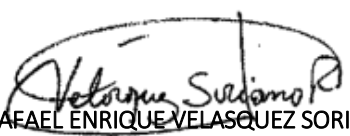
**TANAKA VALDIVIA & ASOCIADOS SOCIEDAD CIVIL
DE RESPONSABILIDAD LIMITADA**

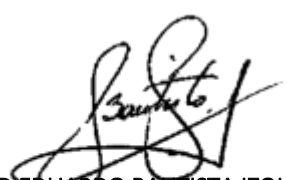
N.º MATRICULA: S0761

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

Esta constancia tiene vigencia hasta el 31 DICIEMBRE 2024.

Lima, 20 DE JULIO 2023.


CPC. RAFAEL ENRIQUE VELASQUEZ SORIANO
DECANO


CPC. DAVID EDUARDO BAUTISTA IZQUIERDO
DIRECTOR SECRETARIO

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OVERVIEW OF DIFFERENCES BETWEEN IFRS AND PERUVIAN GAAP

The Consolidated Annual Financial Statements and Unconsolidated Annual Financial Statements have been prepared from the Group's accounting records, which are carried in nominal Peruvian Soles as of the date of the transactions in accordance with Peruvian GAAP.

Peruvian GAAP differs in certain material respects from IFRS. The Bank has not undertaken efforts to prepare a quantitative reconciliation of specific differences between IFRS and Peruvian GAAP. Had such an effort been undertaken, other potentially significant differences might have been identified and disclosed herein.

The following summarizes the areas in which differences between IFRS and Peruvian GAAP might be significant to the Bank's and/or the Group's results of operations and financial position as of December 31, 2023. This analysis does not include differences related to accounting standards that have been issued but are not yet effective as of such date. While the Bank has not calculated the net effect that applying IFRS would have on its results of operations or financial position (or any component thereof), the effect of such differences might be, individually or in aggregate, material (including, as a result of such, such that the total equity prepared on the basis of Peruvian GAAP might be materially different from the total equity that would be reported under IFRS). In addition, differences in the presentation of the financial statements as well as differences in the information provided in the footnotes to the financial statements have not been reported.

Cash flow statements

Under IFRS (IAS 7 Statement of Cash Flows), entities report cash flows from operating activities using either the direct method or the indirect method, while Peruvian GAAP requires using the indirect method. In addition, IAS 7 allows presenting the cash flows from operating, investing and financing activities in a manner that is most appropriate to the business, while Peruvian GAAP requires complying with a presentation template.

Investments in associates

Under Peruvian GAAP, investments in associates are recorded in accordance with criteria established by SBS Resolution No. 7033-2012. These includes only equity securities acquired with the purpose of: (a) having an equity participation and/or (b) having significant influence in other entities or institutions, as defined in IAS 28. Their initial recognition is at fair value; subsequently, they are recorded using the equity participation method.

Under IFRS (IAS 28), all the associates in which an entity has significant influence are accounted under the equity method. For this purpose, under IFRS significant influence is generally presumed if an investor holds directly or indirectly 20% or more of the voting power of the investee.

Property, plant and equipment

Under IFRS, a company has the alternative to account for certain fixed assets at amortized historical cost or revalue to fair value and useful lives and methods of depreciation are reviewed periodically. Under Peruvian GAAP, historical cost is the only alternative and thus fixed asset revaluations are not allowed.

Financial instruments - classification and measurement

In accordance with the standards issued by the SBS that regulate the accounting treatment of financial instruments, which include guidelines and criteria of IAS 39, all financial assets and liabilities, including derivative financial instruments, are to be recognized in the consolidated statement of financial position and measured as per its classification.

Under Peruvian GAAP, financial instruments are classified in one of the categories defined by IAS 39: (a) financial assets and financial liabilities at fair value through profit or loss, (b) available-for-sale financial investments, (c) held-to-maturity financial investments, (d) loans and receivables and (e) financial liabilities at amortized cost.

Under Peruvian GAAP, financial instruments at fair value through profit or loss are initially recognized at cost (excluding transaction costs, which are recorded as expenses) and subsequently re-measured at fair value. Available-for-sale and held-to-maturity financial investments are initially recognized at fair value including transaction costs and, subsequently, available-for-sale

investments are re-measured at fair value whereas held-to-maturity instruments are valued at amortized cost using the effective interest rate method.

Under IFRS 9, financial assets are initially recognized at fair value (plus the incremental costs related to the transactions that are directly attributable to the purchase), being the fair value of the consideration given and including acquisition costs associated with the investment. Subsequent measurement is based upon the valuation principles of the portfolios they are classified, at the time of purchase, in one of the categories defined by IFRS 9: (a) financial assets at fair value through profit or loss, (b) at fair value through other comprehensive income and (c) at amortized cost, based upon:

- the business model for managing the financial assets, which reflects how the financial assets are managed to generate cash flows and does not depend upon management's intentions with regard to an individual instrument; financial assets can be managed for the purpose of: (i) obtaining contractual cash flows, (ii) obtaining contractual cash flows and sale or (iii) others, and
- the characteristics of the contractual cash flows of the financial asset.

The accounting for financial liabilities at amortized cost is similar to Peruvian GAAP, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at fair value through profit or loss, which is neither measured nor presented in the statement of income or other comprehensive income under Peruvian GAAP. Under IFRS 9, such movements are presented in other comprehensive income with no subsequent reclassification to the statement of income statement.

Financial instruments - impairment of financial assets

Under IFRS 9, debt securities measured at amortized cost and at fair value through other comprehensive income are subject to impairment while equity securities are not subject to impairment as they are measured at fair value. Under Peruvian GAAP, the impairment of debt and equity securities is recorded in accordance with criteria established by SBS Resolutions No. 7033-2012 (as amended) and No. 2610-2018, which establish a standard methodology for the identification of the impairment on available-for-sale and held-to-maturity investments. This methodology is applied quarterly to all debt-representing and equity instruments classified into the following categories:

(a) Debt instruments: The following occurrences must be assessed for the entire debt-representing portfolio:

- (i) any weakening in the financial situation or financial ratios of the issuer and of its economic group,
- (ii) a reduction in any of the credit ratings of the instrument or of the issuer, in at least two notches, from the moment the instrument was acquired (a notch corresponds to the minimum difference between two risk ratings within the same rating scale),
- (iii) an interruption of transactions or of an active market for the financial asset due to the issuer's financial difficulties,
- (iv) if the observable data indicates that since the initial recognition of a group of financial assets with characteristics like the instrument evaluated, there is a measurable decrease in its estimated future cash flows although it cannot yet be identified with the group's individual financial assets,
- (v) any decrease in value due to regulatory changes (taxing, regulatory or other governmental),
- (vi) any significant decrease in the fair value below its amortized cost (it is considered as a significant decrease if the fair value at the closing date has decreased at least 40% below its amortized cost as of that date), and
- (vii) any prolonged decrease in fair value (it is considered as a prolonged decrease if the fair value at the closing date has decreased at least 20% compared to the amortized cost of the previous 12 months and the fair value at the closing date of each month during such previous 12 months has always remained below the amortized cost corresponding to the closing date of each month).

APPENDIX A

The fair value to be used for assessing criteria (vi) and (vii) is the one considered for the valuation of available-for-sale debt instruments regardless of the accounting classification of the debt instrument; *however*, if the decrease in the fair value of the debt instrument is the result of an increase in the risk-free interest rate, then this decrease should not be considered as a sign of impairment. If at least two of criteria (i) through (vii) are met, then impairment will be deemed to have occurred. If not, then impairment will also be deemed to have occurred if at least one of the following specific situations exists:

(A) non-compliance of contractual clauses, such as interruption in the payment of interest or principal,

(B) renegotiation of the instrument's contractual conditions due to legal factors or financial problems related to the issuer,

(C) evidence that the issuer is in the process of forced restructuring or bankruptcy, and

(D) the risk rating of an instrument that was classified as investment grade is reduced to a rating that is below investment grade.

(b) Equity instruments: The following occurrences must be assessed for the entire portfolio of equity instruments:

(i) if the risk rating of a debt instrument of the issuer that was classified as investment grade is reduced to a rating that is below investment grade,

(ii) if there have been significant changes in the technological, market, economic or legal environment within which the issuer operates that might have adverse effects on the recovery of the investment,

(iii) any "weakening" in the financial situation or financial ratios of the issuer and its economic group,

(iv) any interruption of transactions or of an active market for the financial asset due to the issuer's financial difficulties,

(v) if the observable data indicates that since the initial recognition of a group of financial assets with characteristics like the instrument evaluated, there is a measurable decrease in its estimated future cash flows although it cannot yet be identified with the group's individual financial assets, and

(vi) any decrease in value due to regulatory changes (taxing, regulatory or other governmental).

If at least two of criteria (i) through (iv) are met, then impairment will be deemed to have occurred. If not, then impairment will also be deemed to have occurred if at least one of the following specific situations exists:

(A) any significant decrease in the fair value below its acquisition cost (it is considered as a significant decrease if the fair value at the closing date has decreased at least 40% below its acquisition cost as of that date; as cost value or acquisition cost, the initial cost will always be taken as a reference regardless of whether a deterioration in value has been previously recognized for the applicable equity instrument),

(B) any prolonged decrease in fair value (it is considered as a prolonged decrease if the fair value at the closing date has decreased at least 20% compared to the fair value of the previous 12 months and the fair value at the closing date of each month during such previous 12 months has always remained below the acquisition cost),

(C) any breach of the statutory provisions by the issuer related to the payment of dividends, and

(D) evidence that the issuer is in the process of forced restructuring or bankruptcy.

The fair value to be used for assessing the situations indicated in criteria (A) and (B) is the fair value considered for the purposes of the valuation of the available-for-sale equity instruments; *however*, such criteria are not applicable to equity instruments classified as available-for-sale and valued at cost due to the absence of a reliable fair value.

Allowance for loan losses

Under IFRS 9, a provision is required under the expected credit loss (ECL) approach and is calculated based upon the credit losses expected to arise over the life of the asset unless there has been no significant increase in credit risk since origination, in which case the provision is based upon the expected credit losses over the upcoming 12 months. Both lifetime ECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending upon the nature of the portfolio.

Additionally, the measurement of the expected credit loss is mainly based on the product of PD (probability of default), LGD (loss given default) and EAD (exposure at default), discounted at the reporting date and considering the expected macroeconomic effects. The details of these statistical parameters are the following:

(a) *PD*: is an estimate of the probability of default in a determined time horizon. A default can only occur at a determined moment during the remaining estimated life, if the provision has not been previously derecognized and it is still in the loan portfolio.

(b) *LGD*: is an estimate of the loss produced in the case a predetermined value is produced at a given time. It is based upon the difference between the contractual cash flows owed and those that the lender would expect to receive, even after the liquidation of any guarantee. Generally, it is expressed as a percentage of the EAD.

(c) *EAD*: is an estimate of the exposure on a future default date, which considers the changes expected in the exposure after the reporting date, including the reimbursements of principal and interest, whether programmed by contract or otherwise, and the interest accrued due to default payments.

The fundamental difference between the credit loss considered as Stage 1 and Stage 2 is the PD horizon. The estimates of Stage 1 use a 12-month horizon, while those situated in Stage 2 use an expected loss calculated with the remaining term of the asset and considers the effect of the significant increase in credit risk. Finally, Stage 3 will estimate the expected loss based upon the best estimate (“ELBE”), according to the situation of the collection process of each asset. Additionally, all the accounts that are classified as default on the reporting date are considered as Stage 3. The significant risk increase evaluations from their initial recognition and of credit impairment are carried out independently on each reporting date. The assets can move in both directions, from one stage to another.

Under Peruvian GAAP, the provision for loan losses is determined following guidelines established by SBS Resolutions No. 11356-2008 and No. 6941-2008, which is based upon percentages that considers the loan’s type category, the debtor’s credit risk rating and the loan’s collaterals.

The criteria established by SBS considers two types of provisions for loan portfolio: general and specific provisions. The general provision is recorded in a preventive manner for direct and indirect loans rated as “normal” and additionally for the procyclical component when the SBS orders its application. The general provision also includes voluntary provisions.

The specific provision is that established on direct credits and the equivalent exposure to credit risk of indirect credits of debtors that have been classified in a risk category higher than the “normal” category.

The debtor classification categories for credit risk established by the SBS are: normal, with potential problem, substandard, doubtful and loss, which are assigned according to the credit behavior of the debtor.

For wholesale loan portfolio (corporate loans, large-business loans and medium-business loans), the rating is based on the borrower's ability to meet its debt obligation, cash flows, level of compliance with obligations, rating designated by other financial institutions, financial position, and management quality. For retail loan portfolio (small-business loans, micro-business loans, revolving and non-revolving loans, and mortgage loans), the rating is based on the borrower's level of compliance with obligations, reflected in the defaults and delays, and rating designated by other financial institutions.

Under Peruvian GAAP, recoveries are recorded in a separate income line item under other income. Charge-offs are recorded directly as loan loss provision in the statement of income. Under IFRS, recoveries and charge-offs would be recorded in the allowance for loan losses in the balance sheet.

Interest recognition - non-accrual loans

Under Peruvian GAAP, interest accrued on loans past due, refinanced loans, restructured loans, loans in legal collection and loans classified as doubtful or loss is discontinued and only becomes recognized when such interest is actually collected.

Under IFRS, interest income on loans is calculated by applying the effective interest rate (“EIR”) to the gross carrying amount of non-impaired financial assets. When a financial asset becomes impaired and, therefore, is classified as Stage 3, interest income is calculated by applying the EIR at the amortized cost of such financial asset. If such a financial asset recovers such that it is no longer impaired, then interest income is recalculated in gross figures. For purchased or originated credit-impaired (“POCI”) financial assets, interest income is calculated by determining the credit-adjusted EIR at the amortized cost of such financial asset. The credit adjusted EIR is the interest rate that, in the initial recognition, discounts the estimated future cash flows (including credit losses) at the amortized cost of POCI assets.

As a general practice, under Peruvian GAAP this occurs when loans are 90 days or more overdue. When a loan is placed on non-accrual status, unpaid interest credited to income in the current year is reversed and unpaid interest accrued in prior years is charged against the provision for loan losses.

The SBS allowed loans reschedules in the context of: (a) health emergency due to COVID-19, (b) social unrest and (c) emergency states issued by the Peruvian government. In addition, SBS established the application of the cash basis instead of the accrual basis for the recording of interest of loans for retail debtors rescheduled on a massive basis. In addition, the non-collected accrued interest as of the date of the reschedule, recognized as interest income to be capitalized due to the reschedule, shall be reversed and recorded as deferred income, and accounted for as income in function of the new loan terms, as the respective installments are being repaid.

Seized assets

Under Peruvian GAAP, seized assets are initially recorded at the value assigned to them through a legal proceeding, the amount of any out-of-court settlement or the unpaid value of the debt, whichever is lowest. Simultaneously with the determination of the value, a provision equivalent to 20% of the legal settlement or recoverable asset value will be recorded. For this purpose, a bank can use the provision for loan losses that was originally provided for the related loan. Subsequent to the seizure date, a bank must record a provision during a period of time established by the SBS until the carrying value of such asset is zero.

Under IFRS, seized assets are recorded at the lower of cost or estimated market value. Changes in market value are recorded in the statement of income.

Leases

Through Official Letter N°467-2019-SBS issued on January 7, 2019, the SBS specified that IFRS 16 (Leases) will not apply to supervised companies and they must continue applying specific standards issued, as well as IAS 17 (Leases) in what is not specified by the SBS.

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